NEW JERSEY STATE LEGISLATURE

OFFICE OF FISCAL AFFAIRS

3 Division of Program Analysis.
4

PROGRAM ANALYSIS OF BUS AND RAIL SUBSIDIES

ADMINISTERED BY THE STATE DEPARTMENT OF TRANSPORTATION

division of program analysis

December 1975
75-7

LAW REVISION AND LEGISLATIVE SERVICES COMMISSION

Senator John J. Horn, Chairman

Assemblyman Robert E. Littell, Vice-Chairman

Senator Raymond H. Bateman

Senator John A. Lynch

Senator William V. Musto

Senator Barry T. Parker

Senator Alfred N. Beadleston

Assemblyman Walter E. Foran

Assemblyman Thomas H. Kean

Assemblyman Joseph A. LeFante

Assemblyman Vincent O. Pellecchia

Assemblyman S. Howard Woodson

The Law Revision and Legislative Services Commission authorized the release and publication of this program analysis in December, 1975.

New Jersey State Legislature

OFFICE OF FISCAL AFFAIRS
STATE HOUSE, SUITE 232
TRENTON, NEW JERSEY 08625
TELEPHONE (609) 292-8014

KENNETH N. BRAGG
EXECUTIVE DIRECTOR

GEORGE B. HARPER
STATE AUDITOR

JOHN P. CALLAHAN
DIRECTOR, STATE AUDITING

GERALD D. SILLIPHANT
DIRECTOR, PROGRAM ANALYSIS

THOMAS L. BERTONE, D.P.A.
DIRECTOR, BUDGET REVIEW

December 4, 1975

MEMORANDUM TO: Members of the Law Revision and Legislative Services Commission

The Office of Fiscal Affairs herewith submits a program analysis on New Jersey's Mass Transit Subsidy Programs, prepared pursuant to N.J.S.A. 52:11-47e.

This report is the thirteenth in the series of program analyses completed by our Division of Program Analysis.

Throughout the course of this analysis, the Office of Fiscal Affairs' staff enjoyed the cooperation and assistance of the Department of Transportation.

Kenneth N. Bragg
Executive Director

TABLE OF CONTENTS

Page

APPENDICES

FOREWORD

The Office of Fiscal Affairs was established by Chapter 211 of the Laws of 1971 which requires the Executive Director of the agency to "...ascertain compliance with legislative intent by the conduct of performance audits and efficiency studies..."

Accordingly, a Division of Program Analysis was created within the Office of Fiscal Affairs to perform program evaluations for the Legislature. The Division of Program Analysis is staffed by professional analysts who are assigned to ascertain compliance with legislative intent and analyze the qualitative and quantitative impact of a variety of State programs. The Division reports its recommendations to the Legislature through the Law Revision and Legislative Services Commission, which is chaired by Senator John J. Horn.

This analysis of Bus and Rail Subsidies in New Jersey is the thirteenth (13th) in a series of program evaluation reports issued by the Division of Program Analysis. The analysis was conducted by Wesley Westmeyer and Deborah Savar of the Office of Fiscal Affairs staff.

An important finding is that the temporary bus subsidy authorized by the 1969 amendment to the Transportation Act of 1966, but intended by the then Commissioner of Transportation to remain in force for only a year, remains as the core of the existing subsidy program and will continue as such until a plan for a permanent subsidy system is developed and adopted. A further finding reveals that the current mixed-modal organization of the New Jersey Department of Transportation permits the existence and continuance of a condition which renders the achievement of priority structuring and intra-departmental cooperation difficult to achieve.

Another finding is that the New Jersey Department of Transportation does not perform the staff work necessary to apply statutory priorities and informal criteria to bus routes that apply for State subsidy. A related finding is that staffing for public transportation has been below 1% of total authorized departmental positions.

The recommendations contained within this report are intended to improve both the efficiency and effectiveness of the New Jersey Department of Transportation in terms of its public transportation responsibilities. The report recommends that the Department of Transportation formally implement a comprehensive bus service plan during fiscal year 1976 and that State subsidies paid to bus transit firms be used to achieve identifiable and quantifiable service objectives in fiscal year 1977.

Another significant recommendation would have the Department of Transportation develop clear distinctions between State and local mass transit objectives and responsibilities, thus permitting a greater role for the counties to monitor carrier operations and plan for and operate (or contract for) intra-county bus services.

The report further recommends that the Department of Transportation move toward removing all existing organizational barriers inhibiting the equitable, rational allocation of resources among all transportation authorities and agencies of the State of New Jersey.

The report also recommends that NJDOT redistribute authorized positions so that the staff and resources assigned will be adequate to implement the objectives for Statewide bus and rail services.

In addition to the above cited findings and recommendations, the report identifies, for legislative consideration, several possible alternatives to the present program of public transportation subsidies in New Jersey. These alternatives include:

- Subsidy distribution by formula accompanied by performance incentives.
- Decentralization of subsides to permit county or regional administration of public transportation systems.
- A gradual phase-out of State subsidies.
- Establishment of a coordinated transit program involving supervision by comprehensive regional planning agencies.

Among other things, this report underscores the dynamic nature of New Jersey's mass transit needs, conditions and financial problems and clearly points to the desirability for additional and continuing program review in the future.

The program analysis compliance system established within the Office of Fiscal Affairs will assist the Legislature and the Department of Transportation in implementing the recommendations contained herein.

The Division of Program Analysis acknowledges the cooperation and assistance provided throughout the course of this study by Commissioner of Transportation Alan Sagner, Assistant Commissioner Peter Stangl and their staffs.

December 1975

Gerald D. Silliphant, Director
Division of Program Analysis
Office of Fiscal Affairs

SUMMARY OF FINDINGS AND RECOMMENDATIONS

The State funded operating subsidy programs designed to preserve bus and rail services in New Jersey have become increasingly more costly. The Legislature has been asked for supplemental appropriations in FY 1975 and FY 1976 to match rising costs and declining revenues on existing services. The Office of Fiscal Affairs has previously assisted legislative deliberations on the special bus feeder subsidy in 1974, both supplemental appropriation requests (one in FY '75 and one in FY '76) and budget requests (for FY '74, '75 and '76). In addition, the Law Revision and Legislative Services Commission in March, 1975, directed OFA to carry out a further review of this program.

The rail subsidy program is now being studied by the NJ DOT in order to comply with the changes made by the reorganization of railroads on the Atlantic Coast. The final form of the reorganization and takeover by the United States Railway Association has been approved by the U.S. Congress and all State commuter service contracts will have to be renegotiated before formal conveyance of railroad properties in February, 1976. This report has concentrated on the bus operating subsidies because of the transition stage for rail services. The findings and recommendations thus apply to the bus operating subsidy program unless the rail segment is specifically mentioned. The framework of the rail passenger operating subsidy program is addressed but a detailed study is more appropriate after

the period of renegotiating contracts is concluded.

This report in response to the request of the Law Revision and Legislative Services Commission, addresses the administration of the operating subsidy programs and assesses the administration, planning and policies that guide the New Jersey Commuter Operating Agency plus the planning and manning support offered by the New Jersey Department of Transportation. The findings and recommendations resulting from study of these areas and detailed in this report are summarized as follows:

Recommendation 1. It is recommended that the NJ DOT formalize its plan for bus services during FY 1976. Any operating subsidies appropriated by the Legislature should be used to achieve quantified objectives as stated in the aforementioned plan in FY 1977. (See page 7.)

Finding 1. The temporary bus subsidy program, authorized by the 1969 amendment to the Transportation Act of 1966, remains the core of the existing subsidy program and will remain the core until the plan for a permanent subsidy system is developed and adopted. (See page 9.)

Finding 2. The uncompleted parts of the Public Transportation Capital Program authorized by NJ DOT Transportation Master Plans of 1968 and 1972 total $586.3 million or approximately half of the program planned. (See page 14.)

Finding 3. Performance criteria for measuring the quality and quantity of subsidized mass transit services, including bus and rail services, do not presently exist within an applicable framework. (See page 26.)

Finding 4. New Jersey's subsidized bus and rail carriers have not developed nor actively employed marketing techniques to attract new ridership. (See page 28.)

Recommendation 2. It is recommended that subsidized carriers intensify their advertising and promotion efforts in order to increase patronage, which should include clear identification of bus stops and/or shelters, parking facilities, discount fare, and clear route maps and schedules prominently displayed. (See page 28.)

Finding 5. No official NJ DOT regulations governing the bus subsidy program or standards defining "essential" bus service and adequate levels of service are in effect. (See page 35.)

Recommendation 3. It is recommended that formal departmental regulations and procedures regarding mass transit subsidy programs be developed and instituted immediately. (See page 35.)

Finding 6. A public transportation objective of the 1972 NJ DOT Transportation Master Plan was consolidation of small operating bus companies, where desirable. The department has worked toward this goal and achieved the consolidation of several subsidized bus companies. (See page 42.)

Recommendation 4. It is recommended that the NJ DOT develop clear distinctions between State and local transit objectives and responsibilities; to include limiting the State to system-wide responsibilities such as interconnections between routes and modes; and allowing the counties to monitor operations, plan and operate (or contract for) intra-county bus services. (See page 52.)

Finding 7. NJ DOT has not outlined minimum public transportation linkages between major New Jersey cities. (See page 54.)

Finding 8. The present DOT policy of attempting to preserve all existing levels of service does not include priorities, which results in a lack of distinction made among carriers requesting subsidy. This leads to subsidy of duplicate routes and routes where continuance may not be justified by the level of patronage. (See page 59.)

Finding 9. The current bus subsidy program has no established policy regarding passenger fares. (See page 61.)

Finding 10. Within the NJ DOT planning divisions, existing goals and objectives have not been properly. quantified nor are output measures of achievements clearly defined. (See page 81.)

Recommendation 5. It is recommended that the NJ DOT establish goals for the planning function and that monitoring and priority mechanisms become effective. (See page 81.)

Finding 11. There is no coordination of planning divisions annual activities with the Division of Commuter Operations toward the goals of preserving present mass transit services, improving services and increasing ridership (See page 81.)

Finding 12. The mixed-modal organization of NJ DOT allows a framework for public transportation and highway orientations to independently compete for NJ DOT resources. This difficulty is exacerbated by the existence of highway authorities which are associated with the NJ DOT, but not under its authority for the purposes of resource allocation, coordination of transportation modes and capital project priority setting. (See page 87.)

Recommendation 6. It is recommended that NJ DOT eliminate any existing organizational barriers to facilitate achievement of objectives of all transportation modes. Resources among all transportation authorities and agencies of the State of New Jersey should be pooled for allocation among all transportation programs. (See page 88.)

Finding 13. Review of bus subsidy applications have been performed by NJ DOT without the benefits of forecasting data necessary for independent evaluation of dollar requests and other management tools. (See page 97.)

Finding 14. The NJ DOT has statutory priorities and informal criteria to determine if bus routes should be preserved or allowed to be discontinued. However, no staff within NJ DOT performs the evaluation necessary to apply the priorities and informal criteria (See page 100.)

Recommendation 7. It is recommended that the proposed transfer of the Public Utilities Commission Bureau of Bus and Rail Carriers into the Department of Transportation, Division of Commuter Services be quickly concluded to consolidate all State regulatory powers over bus and rail carriers. (See page 113.)

Finding 15. All counties with the exception of Mercer have not been cooperative in paying the 25% share of subsidy for all subsidized bus carriers operating in their county. (See page 115.)

Finding 16. Mercer County has paid up to 88% of the total operating subsidy for Mercer Metro bus service. (See page 116.)

Recommendation 8. It is recommended that the Legislature consider authorizing a mechanism for NJ DOT to enforce county participation in the financing of bus subsidies. One method which may be appropriate would be to allow debits against county aid disbursements. (See page 117.)

Finding 17. The legislation authorizing bus operating subsidies specifies that operating losses and a 6% return on investment may be paid. The NJ DOT contract process establishes annual dollar ceilings. Bus company operating losses have risen greater than estimates in every year to the extent that contract ceilings have not permitted any amounts toward a return on investment for the bus companies. (See page 118.)

Finding 18. The NJ DOT contract process had disallowed any claims by bus companies for depreciation of equipment. The NJ DOT has a bus leasing program which is designed to provide new and reconditioned equipment. While the subsidized carriers do not receive a depreciation expense, the bus leasing program does not offset this cost because it applies to non-subsidized carriers and is not related to the needs of any one carrier. (See page 119.)

Recommendation 9. It is recommended that the Department reinstate the depreciation allowance as an allowable cost in subsidy contracts, and this cost be modified by the value of any equipment made available through the State bus leasing program. (See page 119.)

Finding 19. The NJ DOT has not taken any action to comply with the findings and recommendations of the OFA Program Analysis of the Southwestern New Jersey Bus Feeder System issued in April, 1974. (See page 121.)

Recommendation 10. It is recommended that the NJ DOT revise bus feeder routing and direct promotional efforts to develop bus feeder patronage as outlined in the OFA Program Analysis. (See page 121.)

Finding 20. Subsidized bus carriers may be distinct corporations, separate from corporations that own the buses used or the terminal facilities. These affiliated corporations are not subject to audit by the NJ DOT. This limitation in fiscal oversight is responsible for lack of full information on costs experienced by subsidized bus carriers. (See page 121a.)

Recommendation 11. It is recommended that the Legislature consider a legal requirement for all corporations supplying goods or services to bus companies cooperate with NJ DOT audit and subsidy application review processes. (See page 121a.)

Finding 21. NJ DOT has provided a low level of staff resources for public transportation programs over the past six fiscal years, with authorized positions devoted to public transportation ranging from .5% - 1% of total authorized departmental positions. (See page 124.)

Recommendation 12. It is recommended that NJ DOT redistribute authorized positions so that the staff and resources assigned will be adequate to implement the NJ DOT objectives for Statewide bus and rail services. (See page 124.)

CHAPTER ONE: OVERVIEW OF PUBLIC TRANSPORTATION IN NEW JERSEY

Preserving New Jersey bus and rail services has become a costly and ill-defined State program. The facilities and services offered have recently been catalogued by studies contracted for by the New Jersey Department of Transportation (NJDOT)[1], so that this chapter will concentrate on the major factors affecting bus and railroad services. This chapter will describe the OFA fiscal analysis of the FY 1976 program, sketch mass transit declines, the State operating subsidy programs, mass transit deficiencies, New Jersey transit industry characteristics, State transit capital assistance, Federal government Mass Transportation policy, the uniqueness of county transportation systems in New Jersey and address the problems of evaluating quality and quantity of services provided. It should be noted that recent policy decisions have modified mass transit program content and capital improvement priorities, which will affect the future status of transit services.[2]

---

1. A concise general overview of the transportation services rendered in New Jersey can be found in Wilbur Smith & Assoc./Ford, Bacon & Davis, Inc., Interim Report: Overview and Policy Alternatives on Transportation in New Jersey, January, 1973; great detail on bus service is found in the New Jersey Public Transportation Study Phase A, Immediate Action Plan, March 1974.

2. Short-run impact decisions include final action on the announced program of service reduction and fare hikes to balance the FY '76 rail and bus subsidy program, Congressional action on railroad reorganization; long-run impact decisions were made by voter rejection of the 1975 Transportation Bond question, Federal aid to build a PATH link to Plainfield, and decisions deferring the extension of the Lindenwold Line.

Fiscal Analysis: The FY 1976 Supplemental Appropriation Request for Bus and Rail Operating Subsidies

This program analysis has been conducted under the unusual circumstances of rapid expansion of program costs, administrative changes and special legislative actions. Several study plans have been abandoned because of the rapid pace of events and the assignment of staff to specific short-range projects related to announced program funding plans. This section will review the program analysis purpose, scope, review the supplemental appropriation request for FY 1976 and review points presented in the NJ DOT Report on the Status of Commuter Operating Agency Service Contract Program, released on November 17, 1975.

The purpose of the program analysis was to review the operating subsidy program to determine the effects of a rapidly expanding State fiscal commitment upon transit users. The scope was to include both rail and bus subsidies although study of rail service was limited due to its longer history, and the predominant role of the Federal government in current railroad reorganization. Also to be considered are alternatives to the present subsidy system.

In the fall of 1974, the NJ DOT requested a supplemental appropriation of $30 million to cover the rapidly rising deficits among New Jersey bus carriers. The Speaker of the New Jersey General Assembly requested the Executive Director of the Office of Fiscal Affairs to have the request examined and outline possible courses of action. The OFA report found that the request was justified and

outlined various funding strategies.[3] The Commissioner of Transportation had advocated a rise in the gasoline tax of 1¢ to fund his request.

The Legislature approved a supplemental appropriation of $26 million. The legislation, Chapter 22, Laws of 1975, went beyond plugging a sizable funding gap. The supplemental appropriation law established a Joint Legislative Committee to oversee bus and rail subsidies, composed of:

- The Chairman of the Senate Revenue, Finance and Appropriations Committee.
- Chairman of the General Assembly Appropriations Committee
- Chairmen of committees on Transportation and Communications in each house.
- Two members of the Senate Committees of Revenue, Finance and Appropriations, and Transportation and Communications to be designated by the President of the Senate (one from each party).
- Two members from corresponding Assembly Committees designated by the Speaker of the General Assembly (one from each party).
- Four other members.

The members of the Joint Committee are:

Senators: Buehler, Dwyer, Horn, McDonough, Merlino, and Vreeland

Assemblymen: Esposito, MacInnes, Martin, Rys, Weidel and Yates.

The committee is authorized to receive reports from the Commissioner of Transportation and confer with the Commissioner regarding the implementation of bus and rail subsidies.

---

3. Memorandum to Speaker of the General Assembly, from the Executive Director, Office of Fiscal Affairs, December 16, 1974.

Chapter 22, Laws of 1975 requires that the subsidy contract require quarterly reports from the subsidized carriers that shall at a minimum determine ridership by month, senior citizen ridership by month, operating cost and revenue per mile and average subsidy per rider. An annual summary is to be provided to the Office of Fiscal Affairs not later than March 15 of every year.

Another report is to be furnished to the new oversight committee not later than November 15 of each year. This report is to include:

1. New Jersey DOT proposals to improve the operation of each subsidized carrier including any problems related to duplicative routes, contract incentives to improve carrier efficiency and how contract payments relate to these proposals.

2. Alternatives for fares and fare structures; department program objectives and alternatives for accomplishing those objectives.

3. Department problems in developing a comprehensive master plan related to all regional planning efforts.

4. Status of plans implemented in prior years.

The committee must approve the report prior to the conclusion of any new subsidy agreements and expenditure of funds after January 1, 1976.

The Joint Committee held hearings on the proposals by the NJ DOT to reduce services and raise fares on subsidized bus and rail lines in September, 1975. An analysis by the Office of Fiscal Affairs raised questions about the availability of funds within the NJ DOT and the effectiveness of the proposals to reduce carrier deficits

and thus the amount of State subsidy.[4] The Joint Committee requested that the program be delayed from the announced October 1 date to December 1, 1975. Governor Byrne so directed compliance by the NJ DOT.

The Commissioner of Transportation returned to the Joint Committee on November 17, 1975 to review the financing of FY 1976 subsidies, present the required report to the Committee and solicit its support in seeking a $10.2 million supplemental appropriation. The financing review showed several changes from the Amended Annual Determination released in August, 1975. As shown on Exhibit FA-1, the changes showed revised estimates for rail, bus and miscellaneous that reduced the size of the program to $102.8 million from $111.3 million. However, resources available were also revised downward, from $97.6 million to $92.6 million (principally due to a reduction in expected county participation, from $8 million to $2 million).[5]

The Committee reviwed the figures presented, and accepted (but reserved approval of) the report.[6] The Commission stated that the announced schedule of fare increases and service cuts would be implemented on December 1, 1975 unless a supplemental appropriation was enacted. The Committee then voted to recommend the $10.2 million supplemental request be funded by the full Legislature.

---

4. Memorandum to the Joint Committee on Bus and Rail Subsidies from the Executive Director, Office of Fiscal Affairs, September 15, 1975.

5. For the OFA evaluation of these figures see "memo to the Executive Director, OFA, October 3, 1975 from Director of Budget Review.

6. As of November 21, 1975 final figures on FY 1975 balances were not available from the Department of the Treasury.

Exhibit FA-1

Comparison of August Service Contract Budget and Proposed Revision

(MILLIONS)

NEEDS	August 1975 Determination	November 1975 Review
Railroads		
Erie Lackawanna	$ 22.8[a]	$ 21.4
Penn Central	16.6	15.9
Central Railroad of New Jersey	15.7	15.7
Pennsylvania-Reading Seashore Line	0.3	1.0
	55.4	54.0
Bus		
Existing Contracts and New Applications	45.1[b]	44.1[c]
Sub Total	100.5	98.1
Miscellaneous	6.1	4.7[d]
TOTAL	106.6	102.8
RESOURCES		
UMTA Section 5	$ 35.0	$ 35.0
Governor's Budget	54.6	54.6
Sub Total	89.6	89.6
County Contribution	8.0	2.0
	97.6	91.6
Balances Carried Forward	-	1.0
TOTAL	$ 97.6	$ 92.6
SHORTFALL	$ 9.0	$ 10.2

a. Includes $1.8 million for settlement of calendar 1974 avoidable loss.
b. Requests by carriers.
c. Adjusted for a $682,167 reduction in negotiations.
d. Includes $3.4 million for possible increases in rail costs brought about by Regional Rail Reorganization Act.

Source: NJ DOT, Report: Status of Commuter Operating Agency Contract Program, November 11, 1975, Table III.

The NJ DOT status report reiterated administrative deficiencies that are explored in this analysis. The report does not present a review of bus routes and services to passengers or mass transit improvements. A new incentive contract is said to be developed for July 1, 1976. No details are available. Duplicate routes will be examined in future PUC-COA hearings. Fares will rise unless other funds are made available. Master plans focus on capital investments and do not contain details regarding operating policies. The only problems with the master plan revolve around:

1. Local input/citizen participation
2. Putting capital projects and funds together.

The feasibility study designed to develop a comprehensive program for the preservation and extension of New Jersey's bus services is as yet unfinished.

The program analysis will discuss all of the areas referred to in the status report. Some appropriate analysis and detailed recommendations have been made to the DOT in the preparation of a master operating plan for bus services. It is recommended that the NJ DOT formalize its plan for bus services during FY 1976. Any operating subsidies appropriated by the Legislature should be used to achieve quantified objectives as stated in the aforementioned plan in FY 1977.

Mass Transit Declines

The major factor affecting mass transportation service has been the growing deficit position of much of the local and commuter operations. The problems and trend line had been well defined on the national level by the 1950's. One recent summary categorizes the factors reducing the total number of passengers while service costs increase as follows:

1. The urban population has grown rapidly outside the central cities in which most public transportation systems are located.

2. Suburban living is largely automobile oriented, because housing and population densities are low and parking space is usually freely available. Conventional public transit is usually not available to the suburbanite. When available, it cannot be profitable because of the low population densities and the wide dispersion of origins and destinations.

3. Automobile ownership has increased dramatically.

4. Public transit fares generally have escalated.

5. Lack of innovative management and marketing in the transit industry has contributed to the difficulties of public transportation.

6. Federal programs in New Jersey to assist different modes have been enacted and administered inconsistently with respect to one another...public transportation has had a relatively low priority.

7. The use of Federal funds for constructing and maintaining urban transportation networks, until very recent times, has been restricted. Most of the Federal contribution has encouraged road building - often without careful consideration of the economic, social, and environmental impacts.

8. Federal planning funds for comprehensive urban planning have been only partly coordinated with other transportation planning funds available from UMTA and FHA. Despite the best efforts of these agencies, these programs to a considerable extent, have been not only uncoordinated but largely unrelated to implementation activities.

9. State and Federal governments have been largely concerned with the problems of transportation between areas. Only recently has attention been focused on the transportation needs within these areas.[7]

The more startling statistics show that use of mass transit has declined in total numbers between the years 1935 and 1970. In 1935,

---

7. Advisory Commission in Intergovernmental Relations, Toward More Balanced Transportation: New Intergovernmental Proposals, Washington, D.C., approved for release December 13, 1975, pp. 15-18.

9.7 billion trips were made on the 2.3 billion vehicle miles. By 1945, passenger trips doubled, and vehicle miles increased by 40% over the 1935 figures. In 1970, 5.9 billion passenger trips were made on 1.9 billion vehicle miles. Fewer trips are now made on mass transit in the United States and less service is run than in 1935. Other incomplete data indicate ridership between 1924 and 1935 was also higher than the levels recorded in 1970.[8]

State Operating Subsidy Programs

The State of New Jersey began paying a subsidy to continue commuter rail services in FY 1961. The initial program of $4.5 million per year has grown to one costing the State $55.4 million in FY 1976. This trend does not take into account capital grants to buy or renovate carrier equipment. The bus subsidy program was enacted in 1969 following attention focused upon the problem by former State Commissioner of Transportation David J. Goldberg. He requested authority to begin a temporary subsidy program to prevent significant carriers from ceasing operations before the State could fully develop a plan and rationalize its priorities. This interim program remains the core of the existing subsidy program.

> Finding 1. The temporary bus subsidy program, authorized by the 1969 amendment to the Transportation Act of 1966, remains the core of the existing subsidy program and will remain the core until the plan for a permanent subsidy system is developed and adopted.

The State has spent $247.6 million on operating assistance for commuter railroads since 1961 and $112.7 million on bus operating

8. Ibid. pp. 15-16.

assistance since 1970. As shown in Exhibit A, subsidy levels are over $50 million in each program for FY '76. The biggest increase in both programs has occurred in FY '75 reflecting the impact of the rise of fuel costs and cost of inflation in other categories.

The rail assistance program provides four carriers with contracted relief from operating deficits, the Erie Lackawana (EL), Central Railroad of New Jersey (CNJ),[9] Penn Central (PC), and Penn Reading Seashore Line (PRSL). These carriers operate all the commuter service in the State except for AMTRAK and Reading service. In 1970, eight bus carriers received State subsidies. The number grew to 19 carriers by the end of 1973 and 26 by 1975. The range of subsidies to these carriers grew from $5,000-221,700 in FY 1970 to $44,500-18,047,000 in FY 1975.

Mass Transit Deficiencies

New Jersey exhibits the deficiencies found nationally in Metropolitan transportation systems. They include:

1. Peak hour, weekend and holiday traffic congestion.
2. Rising automobile ownership.

---

9. The New York and Long Branch Railroad is operated by the Central of New Jersey Railroad and its bookkeeping functions are managed by the Penn Central.

3. Declining transit use resulting in low rates of equipment replacement and cutbacks in service as conscious management decisions.

4. Lack of attention to coordinating modes of transportation.

5. Larger proportions of urban land used for streets, freeways and parking (auto use).

6. Growth of health and safety hazards from air, water and noise pollution.

7. Rigid or weak government structures with transit responsibilities due to: multiplicity of jurisdictions; limited fiscal resources; special purpose creation so that narrow program goals do not relate to general purpose units with broad, citizen-oriented goals.

8. Continued lack of clarity and consistency in urban development strategies.[10]

The heavy reliance on personal use of automobiles in New Jersey is reflected in the statistics from calendar year 1974:

Population (est.)	7,413,680
Licensed Drivers	4,550,740
Registered Vehicles	4,426,271

In the aggregate, there is a motor vehicle registered for each licensed driver in New Jersey.

One of the trends experienced by New Jersey is a population decline in the larger counties, the areas with the most mass transportation services. In the years 1970 to 1974, population

---

10. ACIR op. cit. p. 14.

11. New Jersey Department of Transportation, 1974 Report of Operations pp. 15.16.

losses were estimated to be accelerating in Hudson, Essex, Union, Bergen and Passaic. Counties gaining population, Ocean, Sussex, Monmouth, Burlington and Atlantic, are those with less mass transit service available.[12]

New Jersey Transit Industry Characteristics

New Jersey has predominantly a system of mass transit services controlled by private corporations. The three major rail carriers are currently in bankruptcy and are supervised by court-appointed trustees. Only one bus carrier in the State is a public carrier - Mercer Metro, owned and managed by the Mercer County Improvement Authority. Some 250 other bus carriers are privately-owned and operated. Two counties, Morris and Bergen, have contracted with private carriers to run bus service in certain areas and some 20 or more municipalities have established or experimented with an intra-municipal bus service.

One of the private bus companies has a unique status that deserves attention. Transport of New Jersey is a wholly owned subsidiary of the Public Service Electric and Gas Company, a New Jersey utility. TNJ, operating in all counties of the State, is the largest carrier in the State, and its subsidiary, the Maplewood Equipment Company, is the State's second largest carrier. TNJ and MEC employ 4,500 people, have 20 garages, operate 10 terminals and maintain about

---

12. Reported in the New York Times, October 9, 1975 "8 Counties Show Lesses in Population."

2,000 buses. TNJ carried 450,000 daily passengers of the total 1,000,000 daily bus passengers in New Jersey according to a November 1973 survey.[13] This is about 100,000 daily passengers more than was carried by the total of the rail carriers. TNJ was the recipient of $18 million in operating subsidies in FY 1975, by far the largest beneficiary of the State program. TNJ also operates the Newark City Subway. TNJ's bus service in Camden, Gloucester, Burlington and Salem Counties became subsidized by special legislation in 1972. This system was subsidized to end competition between TNJ and the Lindenwold Rapid Transit Line and coordinate bus-rapid transit operations.[14]

New Capital Improvements and Equipment

The State of New Jersey has invested in providing new equipment for commuter services in addition to the operating subsidy program. The State has spent or committed $174,991,000 and plans to generate $877,879,000 in matching grant monies to add or upgrade equipment, (a total investment program of $1,052,870,000).[15] Several significant parts of the program have not been completed, such as:

(EL) 200 Electric Passenger cars, re-electrification
(total cost, $290.5 million) in bid process
Direct rail access to NY Penn Station
(total cost, $150 million) under design,
progress now suspended
(PC) Newark Penn Station Renovation
(total cost $12 million) in negotiation

---

13. Statement of John J. Gilhooley, Chairman and President of Transport of New Jersey Before the Governor's Capital Needs Commission, March 13, 1975.

14. See Office of Fiscal Affairs "Program Analysis of the Southwestern New Jersey Bus Feeder Subsidy," February, 1974, for an evaluation of this subsidy in its first year.

15. See Appendix A for details.

(NY & LB) Rehabilitiation - Various
(total cost $8.8 million) in process
Purchase of 50 passenger cars and electrification
from South Amboy to Red Bank
(total cost $125 million) grant application filed.

Finding 2. The uncompleted parts of the Public Transportation Capital Program authorized by NJ DOT Transportation Master Plans of 1968 and 1972 total $586.3 million or approximately half of the program planned.

The international trend of rising cost for transit equipment is now a major factor in mass transportation operations. There is a peak-hour, passenger capacity problem on the Erie Lackawana and the Lindenwold Line operations. The Lindenwold Line has found that no manufacturer bid when the Line advertised for contracts to add 44 more cars. The number of manufacturers of rail passenger equipment has diminished, the cost of the equipment has greatly increased and only large orders get priority. Bus equipment has faced a similar problem in the area of price inflation.

The Erie-Lackawana, Central of New Jersey, Penn Central, New York and Long Branch, and the Penn Reading Seashore Line represent a total rail system on which little of the equipment is interchangeable between lines, where very different operating conditions affect running times and where management efficiencies vary. Problems in any one component of the system for these reasons, remain unique. System-wide improvements have been elusive and very complicated to approach.

Parts of the rail system differ greatly in propulsion and compatible equipment. Some portions of track require deisel power, and much of the track is electrified, but some of these sections are powered DC, some at high voltage AC and some at low voltage AC. The EL is

powered mostly by DC Current, overhead line. The New York Long Branch Line is DC powered, and the Penn Central is entirely AC. Passenger equipment is designed to the requirements of a specific line and power system. Current costs of building a railroad car amount to $800,000.[16] Present equipment in use includes a number of cars built prior to World War I. The EL and PC lines have had new equipment added in the last 20 years, while the Jersey Central (CNJ) has added only reconditioned equipment.

The State assistance to commuter railroads has maintained the service for a stable ridership. Figures available from the NJ DOT show that daily passenger volumes on the rail carriers have consistently been above calendar 1971 levels. The figures over the years show peaks in the years 1962-1963 and 1969-1970. In addition to these figures, new equipment added to the Erie Lackawana and some improvements to the track have resulted in a 7% increase in passenger volume in 1974. Trends on the other major carriers were: a 5 percent drop in patronage for the PC and a marginal increase for the CNJ.[17]

While all carriers have been operating under court-appointed supervision, the EL has not raised its commutation fares since 1971. The PC has raised its fares twice in that period and the CNJ once. One proposal raised by NJ DOT in its "Amended Annual

---

16. Interview with Chief Program Development, NJ DOT, May 13, 1975.

17. New York Times, "Commuter Traffic Up 7% in Year, Erie Says", June 22, 1975.

Exhibit 1-A

STATE OPERATING ASSISTANCE TO
BUS AND RAIL CARRIERS
FY 1961-1976

Fiscal Year	Rail Assistance (000's)	Bus Operating Assistance (000's)
1961	4,587	--
1962	6,546	--
1963	6,014	--
1964	5,870	--
1965	7,272	--
1966	8,908	--
1967	9,892	--
1968	9,449	--
1969	9,682	--
1970	10,156	531
1971	10,239	1,159
1972	13,045	1,673
1973	19,424	4,219
1974	29,071	13,388
1975	43,154	41,600 (adj.app.)
1976	55,400 (est.)	50,100 (est.)
Totals	248,811	112,670

NOTE: Does not include capital purchases.

Bus operating assistance includes senior citizen's half fare and bus demonstration programs.

Sources: Compiled from New Jersey Department of Transportation 1974, Report of Operations; Commuter Operating Agency, "Annual Determination for FY 1976" and "Amended Determination for FY 1976."

Determination for fiscal year 1976" was the development of a uniform fare structure for all carriers in the State based upon mileage. This proposal was planned to be implemented with a general program of fare increases but was postponed along with other modifications, until December 1, 1975. The changes would mean larger fare increases for EL passengers.

Federal Assistance Programs for Bus and Rail Carriers

The Federal role in mass transportation has broadened since passage of the 1956 Federal Aid Highway Act. Mass transit aid programs were established in the Urban Mass Transportation Act of 1964. The National Rail Passenger Corporation was established in 1970. Several transportation safety grant programs have been initiated and the formula allotments for highway and airport aid were revised considerably during the 1960's and 1970's. One evaluation concludes that "Federal transportation finances have been in a state of constant flux during the last 15-20 years."[18]

The changes in the federal financing of transportation of interest to bus and rail transit occurred with the Federal Aid Highway Act of 1973 and the Urban Mass Transportation Act of 1964 (and amendments). The 1973 Act, for the first time, allows Highway

---

18. ACIR op. cit. p. 202.

Trust Funds to be used for mass transit purposes such as rail facilities and purchase of buses. It raised the funding authorizations for mass transit and gave local government officials a role in determining use of monies allocated from the highway trust funds. It earmarked some money to regional planning agencies for transportation planning.

The 1973 Act also amended the Urban Mass Transportation Act of 1964 by changing the Federal share of capital grants for mass transit from 67% to 80%. The UMTA legislation provided a two part grant program for capital grants and loans. A mass transit research and development grant program at different matching ratios was also established. The National Mass Transportation Act of 1974 created a program of operating subsidies for mass transit with funds distributed by a formula based on population and population densities. The funds require a dollar for dollar match by the State. Most urban areas were to receive their funds directly, but the State of New Jersey is the official recipient for all operating subsidies within its borders because of its legal authority in transportation matters. This legislation made $13.4 million available to the State of New Jersey for fiscal year 1975 operating subsidies and $21 million for Fiscal Year 1976.

There are a number of requirements to qualify for the "Section 5"[19] operating assistance. The NJ DOT prepares applications for the funds

---

19. The Urban Mass Transportation Act of 1964 was amended in 1974 to include Section 5 or matching grants for public transportation operating subsidies.

allocated based on the four urban areas in the State to which the Federal formula allocated money. Public hearings are then held on the application. A transcript of the hearing submitted to the government is a requirement for aid. Other requirements include a half-fare program for the elderly and handicapped during off-peak travel hours, enactment of formal job guarantees with transit worker unions, proof of maintenance of effort of financial support to subsidized carriers, evidence of new capital equipment and increased services.

One of the provisions of the 1963 Highway Act was the requirement that comprehensive area wide transportation planning, encompassing multiple transportation modes and related land use planning be undertaken in each metropolitan area beginning in 1965. New Jersey's first Transportation Master Plan was issued in 1968. The plan was oriented to highway projects and contained some consideration of rail improvements. The document provided the back drop for the Transportation bond issue of 1968 which contained $200 million for mass transit capital projects. The Master Plan was updated by the 1972 Transportation Master Plan which mentioned that future updates would consider the growing problems of bus transportation.

From 1964 through 1969, the Urban Mass Transportation Act was funded in the $200 million a year range. New Jersey's Senators Case and Williams were major forces in increasing that amount to $600 million in FY 1971 and $800 million for the next two fiscal years, with $985 million in Federal funds available in FY 1974. Although

the New Jersey congressional delegation holds key positions on subcommittees dealing with mass transportation measures, New Jersey received only $21 million in Federal funds between 1969 and late 1973 - about half of which resulted from State applications made prior to that year. Of the $21,399,000, $18,733,000 was used for the purchase of 35 Jersey Arrows which have been in service on the Penn Central line for the last several years. In 1974, grants totaling $136 million were awarded to NJ DOT. In comparison, between 1970 and March of 1973, UMTA records show that New York State received $574 million in Federal mass transportation aid, Pennsylvania received $267 million, Massachusetts (with less population than N.J.) received $140 million, and Connecticut (about ½ the size of N.J.) received $58 million.

Between July 1, 1967 (FY 1968) and the present (FY 1976) UMTA made 547 grants totaling $1,487,058,485 to improve bus transportation in the State and municipalities. The maximum stated in the Urban Mass Transportation Act of 1964 is that no State can get more than 12% (1/8) of the total Federal budget for mass transit in any one year. Only New York and California have approached the annual limit; New Jersey has never come near that mark.

The uncommitted balances of the 1968 Bond Issue could have been used to attract Federal money in matching grants for mass transportation, on an 80-20, Federal State basis. Thus, in 1973 alone, $360 million in Federal matching money was lost to New Jersey due to its failure to formulate plans acceptable to UMTA. Department personnel have claimed that

there are "technicalities, complexities, and difficulties" involved in obtaining Federal money.[20] However, UMTA spokesmen have disavowed any difficulties, explaining that there are merely administrative procedures which must be met, and that there is nothing preventing UMTA from giving money to New Jersey.[21] The UMTA administrator, who coordinates state applications for grants, said that normally it should not take more than one year from the time a state applies for a project grant to the time the grant is made.

A US DOT spokesman claimed that New Jersey could have had the money to facilitate improved service on the NYLB as long ago as 1970, "if they could ever agree on a plan. They weren't sure how they were going to spend it."[22]

According to Dr. Anthony Tomazinis, Director of the Transportation Studies Center at the University of Pennsylvania, New Jersey's mass transportation problem is "critical." Characterizing the State's inability to obtain matching Federal funds for transit projects as "almost unbelievable," he continued:

> "There are certain priorities and standards which must be complied with when seeking Federal grants, but they are procedural and administrative in nature.
>
> I can't believe that New Jersey has gotten only $21 million in Federal money over so many years. The money is there, in Washington. All a State has to do is apply with a formal plan, and certainly New Jersey has the need. I know how well the need is, especially in some of those north Jersey areas."[23]

---

20. Newark Star Ledger interview, 9/2/73.
21. Ibid.
22. Ibid.
23. Newark Star Ledger Interview, 9/2/73.

County Transit Systems Vary Greatly

The perspective of Statewide or regional transportation systems may oversimplify the different mixes of demands and resources in the various New Jersey counties. The counties have specific concerns and problems that the Statewide perspective doesn't acknowledge. Bordering counties share some problems but do not have the same viewpoints or resources with which to address solutions.

Within the 9 county area that makes up the New Jersey part of the Tri-State Regional Planning Commission jurisdiction, resources and problems are related to: the distance to New York City, population, and concentration of people in central cities. Essex and Hudson counties have a great deal of local transit service. All of the interstate commuters use facilities in one or both counties. Local bus services have remained profitable in most areas and there has been a large number of bus companies providing service on major local routes. The principal cities of Newark and Jersey City have direct relationships with the Federal government in a large number of grant areas and may play a role in transportation decisions independent of county government. Jersey City imposes a 3% fare box tax and administers a system that collects daily bus fare information. Hudson County has 135 private bus companies operating within it. Essex and Hudson Counties are linked by PATH with New York City.

Morris, Monmouth and Ocean Counties share similar problems as locations at the end of commuter rail lines to New York City. These

counties, along with Bergen County have officially requested rail service improvements and have made suggestions on interstate bus scheduling. Monmouth and Ocean County Boards of Freeholders have indicated, however, that first priority for operating subsidy assistance in their counties are lines that provide intra-county service. Morris and Bergen Counties have been coordinating bus and rail services, with emphasis on intra-county services for a number of years. Both counties have a transportation coordinator and both developed contracts for specific intra-county service in 1970 and 1971 with the aid of NJ DOT demonstration grants. Morris and Bergen counties have also had citizen advisory boards in transportation active for over a decade. The Morris County board was established in 1958.

Ocean County has unusual transportation problems. Some 30,000 county residents live in retirement communities and another 37,000 residents are also senior citizens. The Ocean County Planner points out that 40% of the residential development in the county since 1970 has been in senior citizen housing.[24] This large aged population requires a good local bus transit system. Very little local service now exists in the county, although the retirement communities have shuttle buses and social services agencies provide some bus service to health care facilities.

Union and Middlesex Counties face problems caused by deficit operation of bus companies providing local service. Both counties have

---

24. Interview with Ocean County Planner, and Vice-Chairman of the Ocean County Board of Transportation, June 24, 1975.

good rail service and profitable interstate bus services, but local bus service operates at a loss. All TNJ routes in Middlesex County are deficit operations. Other companies also have been operating with State subsidy. Union County has been almost fully developed and its unprofitable local bus service reflects the lack of intra-county work trips. There is no peak-hour for local bus service, because of the lack of jobs in the county and the decline of commerical business in the cities of Elizabeth and Plainfield.[25]

Mercer County purchased the equipment of the bankrupt Capital City Transit Company and is now the only county to operate a bus system. The Mercer County Improvement Authority now has 60 buses operating over 15 routes, all of them converging on Trenton. The system has a large operating deficit every year, but the county maintains service levels and the 30¢ fare. Despite the State operating subsidy program, the major portions of the Mercer Metro (MM) deficits have been paid by contributions of the county.

Starting in FY 1975, the State planned to fund the full 3/4 share of operating subsidy to Mercer Metro. The county has contributed the local share for acquisition and had provided operating subsidy of $1.2 million per year while the State contributed $100,000 per year. However, the county contribution has never been credited as county share in the subsidy program.

---

25. Interview with Union County Engineer and Director of the Union County Citizens' Advisory Council on Public Transportation, June 16, 1975.

Among Mercer Metro's major problems are:

1) low off-peak hour ridership

2) high maintenance costs on old buses

3) lack of franchise in areas of the county

4) labor contract negotiations

New equipment will reduce high maintenance costs and may induce ridership on some routes. At present, MM can pick uppassengers in Trenton but cannot discharge them in municipalities where they are not franchised. In order to become franchised, MM would have to demonstrate the need for service. Private carriers operating in the area claim that they cannot make a profit on existing demand, and therefore do not welcome competition from MM.

Transportation services in Camden County and its bordering counties are centered around trips to Philadelphia. The Lindenwold Line provides rapid transit service to Philadelphia with complementary bus service provided by TNJ under contract with NJ DOT. Planning of present and future transportation services have been suspended pending development of extensions to the Lindenwold Line, one major spur north to Moorestown and another major spur south to Glassboro. After the defeat of the 1975 Transportation Bond Proposal, the Delaware River Port Authority announced that Lindenwold Line extension plans were now suspended.

The present transportation services in Camden County are similar to that in Essex County; much of the service going into Philadelphia and a fair network of local bus service. Its neighbor, Burlington County

has little intra-county service, at all. The TNJ service provided in Camden, Burlington, Gloucester and other southern counties requires more operating subsidy than routes servicing other counties. Unlike northern counties, there are few, if any, other private bus companies providing service.

The Haddonfield area was the nucleus of a two-year experiment of a Dial-a-Ride system, established by the US DOT and NJ DOT. The system was not continued at the end of the experiment because the State and the communities involved were not able to guarantee monies to cover its operating deficit.

Rail and Bus Services - Quality and Quantity

> Finding 3. Performance criteria for measuring the quality and quantity of subsidized mass transit services, including bus and rail services, do not presently exist within an applicable framework.

The problem of measuring the subsidized bus and rail services to determine whether the existing pattern is adequate and desirable is a difficult one. Since all the operations subsidized are, by definition, not attracting enough fares to pay expenses, the State cannot use profitability as an indicator of success or failure. An examination of other items reported to the ICC and the PUC reveal that the operating data collected doesn't directly measure the quality and quantity of service provided. This problem is a national one and the US DOT is working toward establishing a uniform reporting system with a structure that will provide clear, objective standards of performance.

A measure that is currently available is the number of passengers/mile. This is a composite of passengers carried and total route miles operated. The problem with this measure is that its use must be qualified by the type of bus route used (not available for rail). Routes in central cities do much business over short distances; thus, the passengers/mile ratio should be high. Suburban routes often carry one bus load of passengers to the full length of a route, meaning that the miles operated is high and the number of passengers is limited by the capacity of the bus. Thus the passengers / mile measure can be used to look at one route over several periods of time, or several routes providing the same sort of service; but cannot be used for all routes.

Other problems reflect the difficulty of service assessment. Presently, buses in New Jersey are not equipped with fare boxes which can generate origin, destination and time of trip information. Current information is limited to the daily total number of one, two and three zone riders. Zones have no standard definition in terms of distance. Another problem is the timing of passenger travel. The trips to and from work generate the most rides on buses in general, meaning that 6:30-8:30 a.m. and 4-6 p.m. carry 70-80% of the passenger trips. However, the type of local industry, the number of retirees along a route, and the government offices and health facilities located along a route affect the amount of off-peak travel. Public hearings on service cut backs indicate that certain routes have unusual hours of passenger use. Routes serving shopping malls

experience heavy use after the evening rush hours because of after-work shopping. Mid-morning is the heaviest period of travel for several local Union County routes, and the decline of local employment has eliminated a peak travel time to work. These characteristics presently escape identification.

Another characteristic of New Jersey bus and rail service has been the low level of marketing efforts to attract customers. While exceptions such as the promotions used by Mercer Metro exist, many people who routinely drive are not aware of the presence of bus and rail service. A survey performed in the previous OFA Program Analysis of the Southwestern New Jersey Bus Feeder Subsidy, showed that people driving to and from the Lindenwold Line were largely unaware of the bus service available and that the respondents resided in municipalities having the bus service.

Marketing activities and promotions in other states include clear identification of bus stops, and parking for bus and rail service, discount fares, clear route maps, and schedules prominently displayed and advertising campaigns.

> Finding 5: New Jersey's subsidized bus and rail carriers have not developed nor actively employed marketing techniques to attract new ridership.

It is recommended that subsidized carriers intensify their advertising and promotion efforts in order to increase patronage, which should include clear identification of bus stops and/or shelters, parking facilities, discount fare, and clear route maps and schedules prominently displayed.

Interviews with TNJ officials[26] revealed the interest of their company in constructing analysis of bus routes, to determine if alternate routings are desirable. The company established routes over thirty years ago that have not been reexamined. While the company tries to be aware of new multi-family areas and new industrial locations, it has only limited analytic capability of its own. One effort utilizing consultants was abbreviated when the cost mounted while the company was forced to economize. TNJ is cooperating with the transportation program at Princeton University which will generate this kind of analysis as classroom exercises for graduate students.

The process of re-evaluating routes is complicated because of the number of elements to be considered, Items include the types of origins and destinations, passenger characteristics, traffic regulations, scheduling and bus capacity. Ideally, service should be timed to pick up passengers with minimal waiting times at stops and take them quickly to their destination. When the service operates on a limited schedule, using unattractive buses, running slow between points and doesn't offer convenient return service, automobile travel becomes more attractive, even if direct costs are higher.

A problem associated with route re-evaluation is the current regulatory system. Interstate carriers are subject to ICC regulations and inspections. The PUC controls fare, routes and safety of equip-

---

26. The President of TNJ, John J. Gilhooley and the TNJ Planning Committee reviewed the company's operations and history on August 27, 1975.

ment used.[27] NJ DOT evaluates on-time performance and comfort of buses as well as routes and schedules of subsidized services. Route and fare restructuring under existing PUC procedures involves a process of petitioning, public hearings and evaluations by hearing examiners. The process has been too slow for companies beginning to experience deficit operations, according to bus company management.[28] The considerations by the PUC for operating rights along existing routes adds a dimension of bargaining over proprietary rights to proposals directed at improving service or reducing operating costs.

There may be overall levels of service for areas of the State that are desirable or justifiable in terms of establishing a minimum level of mobility. These considerations might be based on indices of transit dependence and usage. One evaluation of transportation in major U.S. cities shows Newark as having the third highest transit use (of 26 cities) but having the least income population in the second densest population area.[29] It was concluded that Newark could use even more public transportation in moving toward a good public transportation system (one "which is not overcrowded and not empty").[30]

---

27. A description of PUC responsibilities is included in Appendix B.

28. One non-subsidized bus owner applied for a 5¢ fare increase in November, 1974, and no action was taken for eight months. The company subsequently became subsidized. Some 40 companies had fare requests pending with the PUC in June, 1975.

29. New York City has the only area with more residents per square mile.

30. Committee on Municipal Performance, Municipal Performance Report: City Transportation, Vol. 1, No. 6, 1975, see page 32.

CHAPTER TWO: STATE MASS TRANSIT POLICY

The State of New Jersey has a number of basic policy pronouncements underlying its presence in mass transit financing and operations. There are, however, generalizations, conflicts and omissions which result in dilemmas or in conflict with the goal of providing good mass transit services. Particularly in the area of subsidizing bus operations, no policy statement provides a clear operational statement or objective for state involvement. This chapter will examine the limits of existing policy to highlight the arena of current policy decisions. Specific areas to be examined include: overgeneralized policy statements, master planning deficiencies, rail reorganization, County transportation roles, the issue of which users benefit from subsidies, service duplication, private sector organization and fare policy.

Policy Limits

The beginning of subsidies to the commuter rail lines and the bus carriers is directly related to the bankruptcy of the major carriers and the threat of abandonment of service.[31] The major policy articulated was simply to "preserve present service."[32] The rail carriers presented the State with a situation where subsidy was necessary to stop moves to abandon commuter service. The New

---

31. New Jersey Department of Transportation, Buses: Crises and Response, May 1, 1969, p. 5.

32. Ibid. p. 2-3.

Jersey DOT recognized the similar danger to bus service when the Inter-City Bus Co. (now the Maplewood Equipment Co.) went bankrupt in 1968[33] and TNJ failed to attract buyers when put up for sale that same year.

Financing commuter subsidies as well as solutions for other interstate transportation problems was linked to commuter income taxes. Chapter 32 of the Laws of 1961 created the Emergency Transportation Tax (sometimes known as the Commuter Income Tax). The money raised from this tax is deposited into the Transportation Fund and is drawn upon to defray the cost of projects and programs to meet interstate transportation problems, including auto, rail and rapid transit. The taxpayers were to be the major eligible recipients. This tax applies to commutation between New York and New Jersey. A similar law was enacted to apply to transportation between Pennsylvania and New Jersey, Chapter 222, Laws of 1971, the Transportation Benefits Tax. Collections from these sources are detailed in Exhibit 2-A.[34]

A special subsidy for "passenger bus feeder service to and from the Lindenwold Line" was established by Chapter 125 of the Laws of 1972. On September 21, 1972, an agreement was signed between the Commuter Operating Agency and the Transport of New Jersey Bus Company to provide this bus feeder service. This bus feeder service began on October 30, 1972.

---

33. Ibid. p. 32.

34. The States of Pennsylvania and New York have filed suits in Federal court to invalidate these two New Jersey taxes on the basis that New Jersey doesn't tax income of its residents and thus a commuter income tax is discriminatory.

Exhibit 2-A

Commuter Income Taxes
New Collections by Fiscal Year

FY	Emerg. Trans Tax (000s)	Trans Benefits Tax (000s)
1961	$ NA	-
1962	NA	-
1963	6,719	-
1964	7,031	-
1965	7,884	-
1966	9,689	-
1967	10,823	-
1968	12,441	-
1969	14,602	-
1970	16,878	-
1971	18,686	-
1972	22,098	6,126
1973	25,522	11,618
1974	31,920	12,000
1975 (est)	30,000	10,000
1976 (est)	32,000	12,550
Total	$246,293	52,294

Sources: Annual Reports of the New Jersey Division of Taxation, Governor Brendan Byrne's Budget Message for Fiscal Year 1975-76.

Upon the expiration of the contract for subsidy, additional authorization was obtained to renew the contract and extend the system until the end of fiscal year 1975. This special subsidy program was merged into the general bus subsidy program with the FY 1976 budget. It no longer has a special identity as a distinct budget line-item.

The temporary subsidy legislation was designed to preserve bus services while a permanent program and priorities were designed.[35] This interim policy was clarified by Governor William Cahill to preserve all existing bus service and fare levels. This statement provided the direction needed to clarify what constituted "essential bus services" as more companies applied for subsidy.

The study effort to define priorities and a permanent bus subsidy program concluded its first phase with release of an Immediate Action Plan in June, 1975. The consultants made the following appraisal:

> "...four of the State's five commuter railroads are bankrupt, and more than 20 private bus companies which are receiving subsidies for essential operations, are doing little to improve or expand service... The major factors contributing to the increasingly serious inadequacy of the public transportation system are insufficient funding levels, poor operating practices including lack of route supervision, lack of coordination of competing modes and services, conflict between State regulatory and administrative agencies, and lack of an effective public information marketing program... State bus and railroad subsidy programs are administered...on different

---

35. Interview with former Commissioner of Transportation David Goldberg.

> bases. . .there is no motivation to improve service nor optimize costs. At the present time, COA is making no attempt to coordinate these services."[36]

Unfortunately, this report made only short-run recommendations and did not prove to be the focal point for developing priorities or a new subsidy basis.

> **Finding 5. No official NJ DOT regulations governing the bus subsidy program or standards defining "essential" bus service and adequate levels of service are in effect.**

It is recommended that formal departmental regulations and procedures regarding mass transit subsidy programs be developed and instituted immediately.

Master Planning for Public Transportation

The Department's Master Plan for transportation development is a comprehensive plan encompassing the various travel demand estimates for the present and future, and recommends specific plans and programs for highways, railroads, buses and airports.

The major objective of the 1968 public transportation capital program was the rehabilitation and modernization of the suburban commuter rail system. The NJ DOT has made progress toward this end, but much remains to be done. The most obvious accomplishments have been in the area of railroad station and parking lot improvements,

---

36. New Jersey Department of Transportation, New Jersey Public Transportation Study, Phase A, Immediate Action Plan, March, 1974 p. 1, order inversed for emphasis.

new cars for the EL and PC, and the rehabilitation and reconditioning of other commuter railroad cars.

The bus sector received considerable attention in the 1972 Master Plan, but very little notice in 1968. Most accomplishments in the bus area have taken form in the bus purchase and leasing program, the exclusive bus lane in Northern New Jersey, the (now ended) Federally funded Dial-a-Ride experiment, and some mergers among operating companies. These activities were designed to fulfill the objectives of standardized replacement of equipment, traffic engineering improvements, and consolidation, where desirable. The accomplishments of objectives in the 1968 Transportation Master Plan are listed in Exhibit 2-B.

The 1972 Transportation Master Plan developed new rail capital improvement projects. None of the ten projects have been implemented, primarily due to the length of time it has taken the NJ DOT to apply for Federal funding and for the US DOT to process the application and commit funds. Exhibit 2-C summarizes these projects and their status.

The bus purchase-and-lease program satisfies several DOT objectives including standardization, State ownership, interchangeability, regular route use and exchangeability. New Jersey received $1,492,350 in Federal funds in 1970 for a bus demonstration project in Mercer County. The DOT submitted an UMTA grant application in 1973 for assistance in the purchase of 1,200 buses, a $32 million project. Twenty-nine buses were purchased between 1973 and 1974; 779

Exhibit 2-B: The 1968 Transportation Master Plan
An Evaluation of Project Status

Completed:

1) Additional track connections with the Lehigh Valley Railroad at Aldene and with Penn Central at Newark;

2) Station and parking improvements (DOT received $1,014,106 in Federal funds in 1970 for improving the PC station at Metuchen).

3) Grade crossing rehabilitation on the New York and Long Branch Railroad (NYLB);

4) NYLB station improvements (minor improvements are made on a continuing basis; the Middletown station has been completely redone);

5) Some track and signal changes;

6) Acquisition of 70 high speed electric commuter cars for Penn Central (PC) service;

7) PC station and parking improvements - Trenton (DOT received $100,000 in Federal money in 1970 for this project); Metropark, Woodbridge Township;

8) Acquisition of 160 new high speed electric commuter cars for electrified line of Erie-Lackawanna Railroad (options for last 40 cars are being executed to complete the total).

9) New coaches and locomotives for operation on non-electrified EL lines (205 cars and 32 locomotives); and

10) Upgrading of EL station facilities (continuing basis).

Exhibit 2-B: The 1968 Transportation Master Plan
An Evaluation of Project Status
(Continued)

Projects Not Completed:

1) Electrification of CNJ Main Line between Newark and Raritan (now, the PATH extension to Plainfield, a Port Authority of N.Y. and N.J. project);

2) Acquisition of a fleet of high speed electric commuter cars for CNJ;

3) Electrification between South Amboy and Red Bank on NYLB (the Department has a letter of no prejudice from the Federal authorities, who will reimburse the DOT for expenditures for design phase pending final UMTA approval);

4) Acquisition of high speed electric commuter cars for NYLB (contingent upon outcome of #3);

5) Extension of electrification south of Asbury Park on NYLB (will be placed under study; the entire electrification program in Monmouth County will be reviewed);

6) Renovation of existing electrification on EL (basically approved by Federal authorities; the Department has a letter of no prejudice and is negotiating contracts for design work);

7) Extension of electrification to Greenwood Lake Division between Montclair and Mountain View on EL (no priority assigned);

8) Montclair connection (station rehabilitation and relocation have been completed; track connection was not part of that effort and is still being negotiated);

Exhibit 2-B: The 1968 Transportation Master Plan
An Evaluation of Project Status
(Continued)

9) Connection east of Newark between EL Morris and Essex Division and the PC (although considered a very desirable, high priority project, no application is in for funding; Port Authority of NY and NJ is studying it); and

10) Secaucus station permitting transfer between EL and PC (low priority; impacted on by Hackensack Meadowlands Project; new equipment would be required).

Source: N.J. Department of Transportation.

Exhibit 2-C: Status of Rail Capital Improvements Proposed by the 1972 Transportation Master Plan

The status of rail section projects of the 1972 Master Plan is as follows:

1) New trans-Hudson rail tunnel (considered too expensive at this time; deferred to future);

2) Development of rail lines connecting to it (contingent on #1);

3) Rail access to Newark airport now part of PATH Extension Project undertaken by the Port Authority of New York and New Jersey (awaiting UMTA Grant notification);

4) PC Main Line: Middlesex - Mercer modernization (Rahway and Elizabeth stations rehabilitated, some parking improvements are completed - track repairs deferred until rail reorganization is completed).

5) Re-equipment of all Philadelphia-New York trains with high performance multiple unit equipment (burden will fall on Amtrak; Metroliner will probably be continued; coaches are on order);

6) Kearny connection - EL Morris and Essex Division track connection to PC Main Line and re-electrification (high priority project; the NJ DOT submitted a grant application to UMTA in May, 1973 for funds to complete the electrification of the EL and buying new equipment, a $94 million project);

7) Westward extension of electrified territory from Dover to Netcong (now part of Morris-Essex re-electrification in 6 above);

8) Modernization of Gladstone branch, EL (not complete);

Exhibit 2-C: Status of Rail Capital Improvements Proposed by the 1972 Transportation Master Plan (Continued)

9) Extension of NYLB Eastern Monmouth modernization south - Red Bank to Eatontown then to Lakewood (under study; high priority); and

10) PATCO extensions to Atco and Moorestown (deferred indefinately after defeat of the 1975 Transportation Bond question).

Source: N.J. Department of Transportation.

buses were acquired in November, 1975, and negotiations are under way for 83 smaller, transit service buses. A $60 million UMTA grant approved January, 1975, more than six years after the voters approved the matching money, will be used to purchase, rehabilitate and distribute 520 used buses. The total number of State owned buses is estimated to be 1,300 by 1976, with an average age of 8-10 years (present average age is 13).[37]

Finding 6. A public transportation objective of the 1972 NJ DOT Transportation Master Plan was consolidation of small operating bus companies, where desirable. The department has worked toward this goal and achieved the consolidation of several subsidized bus companies.

One of the public transportation objectives of the 1972 Transportation Master Plan was consolidation of small operating bus companies, where desirable. To its credit, the Department has worked toward achievement of this goal through the consolidation of several small subsidized bus companies, which all have one owner, under one contract.[38]

---

37. Discussion with Bureau of Common Carrier staff, 11/12/75.

38. These consolidations include: 1) Trackless Transit-Mountain Coaches-Graope; 2) Drogin Bus. Co. and Associates (12 independents); 3) Maplewood Equipment Co. (owned by TNJ) (Orange and Black, Maplewood, Intercity); 4) Bayview (Amboy-Marathon); 5) Boulevard Bus (5 independent certificates operating as one).

The most apparent success in traffic engineering improvements is the exclusive I-495 contra-flow bus lane which began as a Federal Urban Corridor Demonstration Project. No evidence exists to demonstrate achievement of the secondary goals of priorities on freeway ramps, changes in traffic signalization (a study is scheduled in the Division of Research and Development on signal preemption for buses), and revisions in traffic and parking regulations to favor bus operations. The New Jersey Department of Transportation has succeeded in consolidating several subsidized operating buses in one contract with one owner, but has not demonstrated achievement of transfers of routes among companies or selective abandonment of services which duplicate or closely parallel each other.

New Jersey's voters approved a $640 million bond issue in 1968 ($200 million specifically earmarked for mass transportation) which listed 50 transportation projects among its priorities. As noted in the previous discussion, ten rail projects have been worked on or completed since 1968; the remainder of the 1968 Transportation Master Plan and all of the 1972 plan remains unfinished. For a tabular analysis of 1968 Bond Issue appropriations and expenditures[39] for the five major railroad operations and the bus sector, see Appendix C.

The defeat of the 1972 Bond Issue request by New Jersey voters may be attributed to the fact that, as of June 30, 1972 -nearly four

---

39. As of 4/30/75, based on Departmental computer printouts.

years after the 1968 Bond Issue was approved- the State DOT still had not expended $138 million of the original $200 million approved for mass transit. In September of 1973, nearly five years after the Bond Issue was approved, more than $90 million of that money still had not been expended (the 1972 Bond Issue request was for $650 million, $240 million for mass transportation. Bond Issue requests were also defeated in 1974 for $100 million for rail (Chapter 113, P.L. 1974) and in 1975 for $300 million for mass transit, $200 million for highway safety, and $100 million for local aid to counties (Chapter 209, P.L. 1975).)

Railroad Reorganization

The NJ DOT sees that implementation of the Final System Plan, issued by the United States Railway Association pursuant to the Regional Rail Reorganization Act of 1973, will add $11 million in additional subsidy to maintain the present level of rail passenger service. The Final System Plan was in part directed to maintenance of passenger and commuter rail service. It makes recommendations regarding commuter service agreements, principles for assigning costs to passenger vs. freight service and the scope of service in the Northeast Corridor. Specific areas of the recommendations impacting upon New Jersey include:

1. Commuter authorities should purchase or lease those lines over which they are the dominant user.

2. ConRail is mandated to operate commuter rail services on lines even if the track is excluded from the official rail system, but, commuter authorities need not choose ConRail as the commuter service operator.

3. The present EL contract would be honored by ConRail and the same services would continue.

4. PC, CNJ and PRSL service contracts will not be binding upon ConRail and new financial support contracts with New Jersey will have to be negotiated. Reading service not recently subsidized will require a support agreement between the State and ConRail or ConRail will move to discontinue it.

5. New financial support agreements have to be negotiated prior to conveyance (February 1976) or present service can be discontinued.

6. New financial support agreements would reflect a system of cost calculation similar to the concept used previously in New Jersey, "Net Avoidable Costs." Such agreements, however, would have provisions requiring New Jersey to pay for "freight train delay", and the dominant user should acquire all costs of a specific facility except avoidable costs. "Dominant user" would be determined by lumping all passenger services and all freight traffic into two separate entities.

7. Amtrak will have the responsibility of intercity rail passenger service.

8. Complete separation of passenger and through freight service will be sought to the peril of the Aldene and Newark Track required by CNJ and CNJ-Reading passenger service.

9. Amtrak will control all Northeast corridor traffic.

10. Some nine N.J. track sections presently carrying commuter services would not be acquired by ConRail. Rental agreements to continue service would have to be negotiated 2 weeks prior to conveyance (February 1976).[40]

The NJ DOT anticipates that during FY 1976, "the Final System Plan's recommendations can impose a severe burden on the financial assistance program supporting commuter passenger service."[41] This is due to the provisions that: allow charges for freight train delay attributable to passenger service; would add facility maintenance and operations costs and return on investment in situations where passenger service is identified as dominant; now do not define how general corporate overhead costs will be allocated; require purchase or lease of passenger carrying lines excluded from ConRail.

The County Role

The present interaction between the NJ DOT and counties has centered around funding issues rather than service issues. Federal

---

40. N.J. Department of Transportation, Final System Plan: Its Impact on New Jersey Commuter Rail Services, September 1976.

41. Ibid. p. 29.

statutes and policies encourage local government transit participation and planning while State policy discourages a strong participatory role. The county planners have virtually no input to the monitoring and evaluation of subsidized routes within their counties, although they feel more knowledgeable about these routes by viture of proximity and interest.

The NJ DOT has established an Office of Community Relations and has adopted a public hearing process regarding the exercise of fare and service powers over subsidized carriers. These recent moves provide a mechanism for county officials to get on record with proposals and complaints. These changes were initiated in 1975 but give counties no official status in regard to the operating subsidy programs.

County participation in transportation planning is channeled through the regional planning agencies. For its part, the DOT role at the sub-regional level is to encourage counties to increase their output, but the DOT hopes to avoid planning at that level of detail.[42] According to DOT planning officials, county planning now poorly relates to regional planning, and the DOT is now trying to have some input into the county planning process.

The County and Municipal Government Study Commission is being funded by the NJ DOT with Federal Highway funds to explore and develop the role of the counties in Statewide

---

42. Meeting with Director of Planning and Research, 7/3/75.

transportation. One of the issues to be addressed is the appropriate allocation of interstate commuter vs. intracounty local service oosts. A tentative completion date of this report is mid-1976.

While it may be true that counties have an uneven history of coming to grips with their transit problems, there is a recent trend to strengthen these units' transportation planning and monitoring activities. Morris County began a citizens advisory board on transportation issues in 1958 that has functioned continuously ever since. Some 15 counties now have such bodies, although many of these were established in 1974 and 1975 as part of the citizen's involvement requirement in a particular Federal grant program.

In 1974, a series of federally sponsored grants was awarded to New Jersey counties through metropolitan comprehensive planning agencies (DVRPC and TSRPC) to develop county transportation expertise. These "subregional planning grants" defined as appropriate activities:

1. Monitoring and projections including monitoring of urban development activities and transportation indicators, analysis of existing conditions of travel and transportation facilities, coordination with the Regional Planning Agency of future economic, demographic and land use activities consistent with urban development goals and transportation demands based on these levels of activity;

2. Transportation plan development including analysis of alternative transportation investments to meet future subregional needs for transportation facilities and services and a regular program of plan reappraisal;

3. Transportation plan refinement through the conduct of corridor, transit technology and staging studies; feasibility, location, legislative, fiscal, functional classification and institutional studies;

4. Transportation systems management including evaluation of alternative short-range improvements to make more efficient use of existing transportation resources through traffic management and traffic engineering techniques, operational and regulatory improvements and public transportation improvements;

5. Implementation programming which merges the results of plan refinement and evaluation of short-range improvements to produce a transportation improvement program; and

6. Public involvement to establish provisions for citizen participation in the transportation planning process.

Eight (8) specific products are required to be delivered by the County requesting aid:

a. Transportation plan draft;

b. Transportation Improvement Program, endorsed by the principal elected officials of local general purpose governments and coordinated with the STATE:

c. Periodic meetings of local officials' Coordinating Committees, and written records of actions;

d. Annual Transportation Report;

e. Functional classification and administrative realignment of the Federal Aid Highway System, in cooperation with the STATE:

f. Report on transportation controls applicable to the subregion as input to the regional planning agency's evaluation of the consistency of transportation plans and programs with State Air Quality Implementation plans.

g. Evidence of citizen participation;

h. Update of maps for the 1980 Census geographic base file.[43]

All of the advisory transportation boards are reviewing mass transit and highway planning and programming at the county level. The composition varies: Hudson County has three boards, one consisting of bus company owners, one of mayors and one of the general public. The Bergen County board has actively promoted improved bus routing and rail transit and has issued, like their Morris and Monmouth County counterparts, a priority plan for county-wide transit improvements.

Counties have taken positions in opposition to the NJ DOT deliberations with their new advisory boards. The New Jersey

---

43. Taken from "Agreement for Subregional Transportation Planning - County of Morris, New Jersey", Tri-State Regional Planning Commission for FY 1976.

application for a PATH extension to Plainfield was opposed by officials in Morris, Monmouth, Ocean and Essex counties.[44] The program of reduced services and fare increases was publicly opposed by Middlesex, Monmouth, Ocean, Morris and Bergen counties.

Counties have been blocked from active roles in instituting new bus routes by the NJ DOT. Planned new routes in Union, Middlesex, and Monmouth counties were not approved by NJ DOT. Where these routes require operating assistance, money has not been available to fund demonstrations.

A feeling expressed by county officials was the desire to have complete information over the operating subsidy programs. Monmouth and Ocean counties refused to make the financial contributions allocated to them by the NJ DOT unless ridership origin and destination information was made available. Both these counties were unwilling to subsidize interstate bus routes because their priorities stress development of local services.

This tension between counties and NJ DOT could be beneficial if the county role was better defined. The existing State policy is not specific beyond county responsibility for financial contribution. Mass transit issues have been treated only in a general sense. There has not emerged a plan or policy that defines the relationships between transportation modes although the statute creating the NJ DOT called for coordinated comprehensive trans-

---

44. From a survey of County Planning Officials in June 1975.

portation systems. There is no established policy on State priorities in mass transit beyond preserving status quo. The major questions of:

1) who should get transit services;

2) for which purposes;

3) in which areas;

4) at what price;

have not received answers. The allocation of mass transit responsibilities among levels of governments in the State is made without regard to whether State priorities should be defined as to intercounty, intracounty, intracity and/or commuter services.

It is recommended that the NJ DOT develop clear distinctions between State and local transit objectives and responsibilities; to include limiting the State to system-wide reponsibilities such as interconnections between routes and modes; and allowing the counties to monitor operations, plan and operate (or contract for) intra-county bus services.

Service Coordination and Duplication

The policy on bus subsidies has been paraphrased as "to assure continuation of the present level of bus service statewide, and to expand service to meet the need of the growing population; increasing public reliance on bus transport is implicit in these objectives". New Jersey DOT consultants have pointed out that the ridership records on bus carriers do not fully support the assumptions of public necessity in these objectives.[45] Further, "identification

45. Phase A op.cit. p. 95.

of essential elements of bus transportation service...is not easily established."[46] New Jersey's proximity to New York and Philadelphia produces a high percentage of interstate suburban travel compared to service in other states.

Another facet of the present policy is to improve the quality of equipment used by bus companies through a capital expenditure program of refitting old buses and purchasing new ones. The new and remodeled equipment is leased to operators for $1.00 a year.

The policy to preserve all existing bus services has the problems of any policy that seeks to preserve something in a dynamic environment. Population shifts, unprofitable routes and rail-bus competition is ignored in the aggregate. New proposals for bus service by subsidized carriers have been turned down on the basis that no additional state subsidy funds have been available. The policy "does not address the problems of the coordination and maximization of the utility of the total system. The policy does not address the relative priorities between rail and bus transportation - in 1976 buses will be receiving almost the same amount of funds as rail carriers, however, subsidized bus carriers carry about 8 times the amount of passengers."[47]

The policy makes the State level of government responsible for all types of present bus service; urban, suburban, commuter, weekend, inter and intracounty. One master planning objective has been to provide a linkage between major New Jersey cities. Mass transit does not presently form such a linkage. An example is the isolation of Trenton, the State Capital, from public transportation users. While

46. Ibid. p. 101.

47. Ibid.

train connections from Newark provide some service into Trenton, only one bus route from Camden connects with Trenton, running 2 round trips a day with travel time of two hours.

> Finding 7. New Jersey DOT has not outlined minimum public transportation linkages between major New Jersey cities.

A similar problem arises in meeting the statutory duty of coordinated modes of transportation.[48] A priority project has been rail linkage between Penn Station Newark to Newark International Airport. Bus service is now provided from Newark and New York City but connections other than to Newark are provided by taxi and limosines.

In several corridors, bus service runs parallel to rail. These areas include:

1) Bergen Co EL-Hudson Transit Lines-Inter City Trans. Co.
2) Pascack Valley Branch EL-TNJ, Rockland Coaches
3) Morris & Essex Branch EL-TNJ
4) CNJ RR-TNJ-Somerset Bus Co. (Somerville to Newark)
5) PC-TNJ-Suburban Transit Corp. (Trenton to NYC)
6) NY & LBRR-Asbury Pk-NY Transit Co. (Asbury Park-NYC)
7) PRSL-TNJ (Philadelphia-Atlantic City)

While New Jersey DOT identifies the routes as duplicative, there are other factors to consider before concluding duplication is undersirable. These factors have been summarized as:

---

48. L. 1966, C 301.

A. Origin and destination
B. Fares
C. Route
D. Travel time
E. Service frequency [49]

Other factors also enter into the consideration - comfort, and passenger preference. None of the duplicative routes were identical in more than two factors, in most cases only origins and destinations matched.

Another comparison of coordinated bus and rail services shows schedule or feeder interaction in the following areas:

1) Many bus companies feeding PATH
2) TNJ - PATCO
3) Morris County contracted bus service feeding EL stations on coordinated schedules
4) EL-Associated Bus
5) CNJ - Boro Buses Co., Coast Cities Coaches. [50]

Competition between bus carriers has been identified by New Jersey DOT in the following areas:

1) Eastern Bergen County (along major north-south arteries)
2) Northern Hudson County (parallel service between North Bergen-New York)
3) Southern Hudson County (duplication between TNJ and many independent companies)
4) State Route 9w (duplication of service between Alpine and New York City)
5) Newark (duplication between TNJ and independent bus drivers)
6) South Orange Ave., Newark (duplication between TNJ and independents)

---

49. Phase A op. cit. "Table 7: Corridors of Duplicate Public Transportation Service" pp. 36-39.

50. Phase A op. cit. "Table 10: Coordinating Bus Service" pp. 48-49.

7) Clinton Ave., Newark (duplication between TNJ and independents on portions of routes)
8) Route 22 (parallel operations between TNJ and Somerset Bus Co. between Somerville and NYC)
9) Route 35 - New Jersey Turnpike (parallel service by North and South Jersey Bus Co. and Asbury Park-New York Transit from Asbury Park but the former stops at Jersey City while the latter continues into New York City)
10) U.S. Route 9 (TNJ and Lincoln Transit operate duplicative service between NYC and Atlantic City and intermediate points)

11) Route 45 (duplication of TNJ-Philboro Coach Corp. between Mantua and Philadelphia)

12) Route 36 - (Boro Buses and NY-Keansburg and Long Branch Bus Co. run parallel local service between Belford and Highlands)

13) Paramus-NY (TNJ and Manhattan Transit operate identical service at different fares)[51]

The vagueness of subsidy policy becomes apparent when looking for ways to subsidize carriers in a way that eliminates "duplicative service".

At least four situations require different considerations. Service in Newark and Jersey City should take into account the fact that population density, usage and poverty levels indicates support for bus services. These areas have been profitable and the profitability has generated small independent company operations. All competing carriers may not offer the same services; some routes will be longer; some companies will run service into the evenings and during weekends

---

51. Phase A "Table 7" loc cit.

at a loss. TNJ finds that even with competition, these routes are among the few that break even or make money to offset the large deficits produced by other routes. NJ DOT has contract authority over subsidized carrier routes. Curtailing TNJ services to end duplication, may be undesirable for several reasons: independent bus companies are able to operate at lower cost, but they do not have the substantial equipment resources that TNJ has nor would they, as non-subsidized carriers, be required to report on operations to NJ DOT. The independents operate at less expense primarily because they do not use union drivers, TNJ does.

A second situation arises in regard to competition between TNJ and Lincoln Transit Co. along Route 9. Both carriers are subsidized. The service differs mostly in fares. Each of the carriers have operated the entire route singly when the other carrier halted operations due to a strike. County boards of Transportation along the route have preferences for different permanent carriers, should only one be chosen. The bus companies have met to discuss a coordinated schedule, but strikes and fiscal difficulties have ended each session short of agreement. Coordination of scheduling does occur on trips connecting with the shared service between Atlantic City and Cape May. Competition between the two carriers north of Lakewood could be ended once the companies agree to alternate scheduled runs.

A third policy concern relates to the areas where counties or municipalities provide transit services. Morris County actively monitors and manages a contracted bus service and coordinates it with a municipal loop bus, local schools, train schedules, etc. This service was well coordinated by New Jersey DOT demonstration grants, and subsidy money. Mercer County took over a bus company and operates its successor, Mercer Metro under the Mercer County Improvement Authority. The county bought the capital equipment, fixes the fare policy and has provided direct appropriations to cover sizable operating deficits. As a result the New Jersey DOT has not provided 75% of the deficit in any year. The NJ DOT level of participation has been fixed at $100,000 for years when the deficit climbed over $1 million per year. New Jersey DOT announced that the FY '76 subsidy contract would put Mercer Metro on the same footing with private carrier subsidies. When the appropriations level was determined to be less than expected, New Jersey DOT officials indicated that one method to pare the subsidies needed was to arbitrarily reduce the Mercer Metro subsidy.

A fourth area deals with places where the existing bus services are inadequate. Ocean County has grown by an estimated 70,000 people since the 1970 Census; much of this is due to senior citizens moving into retirement communities. The County evaluated the lack

of local transit and then contracted to develop a transit system proposal. New Jersey DOT did not provide encouragement, technical advice or development funds. Demonstration funds are no longer in the State program.

A major policy development failing is that in seeking to preserve all present levels of service, no priorities have been established.[52] All applications are treated relatively identically, on a first-come-first served basis. A method to partially solve this shortcoming would be to develop clear distinctions between State and county transit objectives and responsibilities. A suggested distinction might be to limit the State to system-wide responsibilities; interconnections between routes and transit modes. Counties would monitor transit operations, plan and operate or contract for inter-county service. If the counties are to remain responsible for 25% of total operating subsidies, it would be their option to provide it through costs of inter-county service borne, or direct payments to the State for the subsidy program, or some combination of the two.

> Finding 8. The present DOT policy of attempting to preserve all existing levels of service does not include priorities, which results in a lack of distinction made among carriers requesting subsidy. This leads to subsidy of duplicate routes and routes where continuance may not be justified by the level of patronage.

---

52. NJ DOT op.cit.

Public transportation policy is affected by the characteristics of the people who ride trains and buses. New Jersey DOT is concerned about transit dependents who must ride because they do not have access to the private auto. This group has been defined as the young, poor, aged, black and female. As ridership declines, these transit dependents become more visible as commuters to work decline. It may be, however, that a policy concerned with these groups would not subsidize bus or rail operations. The transit needs of these groups may be limited to the extent other forms of transportation could be used with less cost to the State. Another perspective would be to beware of any service that relies almost entirely on the transit dependent group for its fare box revenues.

Private Sector Organization

The bus subsidy program is affecting the private sector organization in the bus industry. The State rail subsidy program does not impact the number and size of rail carriers because Federal policy preempts State action. No similar Federal control regulates the bus industry. The New Jersey DOT has encouraged independent bus operators to form larger operating groups particularly if they wish to apply for subsidy. The industry's largest firms (in terms of dollar value of business) are under subsidy. The largest firm, TNJ will receive about half its 1975 revenues from New Jersey DOT. An argument con-

sistently offered by New Jersey DOT officials against State takeover of the firms has been that private operation offers advantages such as a mix of labor contracts, union and non-unionized operations and management without State imposed personnel, guidelines and practices. On the other hand, Federal grants require contractual agreements between the State and labor organizations guaranteeing transit jobs; subsidized firms must submit to: quarterly reporting to the State, yearly audits by New Jersey DOT, dependance on new capital equipment from Statewide distributions by New Jersey DOT, and permission from the State before a company can cease operations.

Fare Policy

Finding 9. The bus subsidy program has no established policy regarding passenger fares.

While the temporary goal was to preserve existing fares so as not to discourage present riders, there are disparities between carriers. The Hudson and Essex County competition between TNJ and independent owners features price competition, with independents offering lower first zone fares, and in one area, allowing transfers to TNJ buses at a price lower than the straight TNJ fare for the same trip. Part of the fare increase proposals by New Jersey DOT for October 1, 1975 was to establish a basic one-zone fare and second zone increment for all subsidized bus trips. The proposal did not recognize the disparity between zone lengths. However, many zones relate to municipal boundaries rather than trip length, mean-

ing that more zones are crossed in areas where municipalities are smaller and closer together. The zone structure also differs simply because each carrier establishes its own system. There are no mandatory standards. The same bus company may charge different fares for travel between the same two points. The trip from Camden to the Cherry Hill Mall was made for a 55¢ fare on a DD bus. The return trip over a different route on a 7A bus was 50¢.[53]

Fares structures can reflect priorities of transit policy and can be varied for promotional and reducing idle capacity reasons. This aspect of policy has not been examined by New Jersey DOT in regard to the subsidy program. Fares can be used to induce demand, provide a special subsidy to poverty-level families (an income redistribution policy), reflect public transit opportunities, indicate the relative efficiency of specific carrier management and be used to provide competitive trip costs with autos.

---

53. The illustration is from July, 1973 and current reports from New Jersey DOT indicate this particular problem has been corrected. See The Southwestern New Jersey Bus Feeder Subsidy, op. cit. p. 44.

CHAPTER THREE: DEPARTMENT ORGANIZATION AND REPONSIBILITIES

The Transportation Act of 1966 (P.L. 1966, c. 301) replaced the State Highway Department and centralized the transportation functions of State government under a Commissioner, in a Department of Transportation, with overall objectives of administering and coordinating all transport modes. The objectives of this Act were:

- Provide a transportation network equitable to all segments of the State populace;
- Reduce adverse impacts on the natural environment;
- Increase comfort and convenience of travel;
- Promote desired pattern of land development;
- Increase safety;
- Reduce travel time and cost per trip;
- Provide a choice of travel modes; and
- Be realistic in terms of physical, social, financial, and environmental restraints.[54]

To help achieve these objectives, the Department established six (6) distinct operations. Various organizational changes have evolved since the Transportation Act of 1966. The present organization is described in this section and is shown on the organization chart (Exhibit 3-A).[55]

---

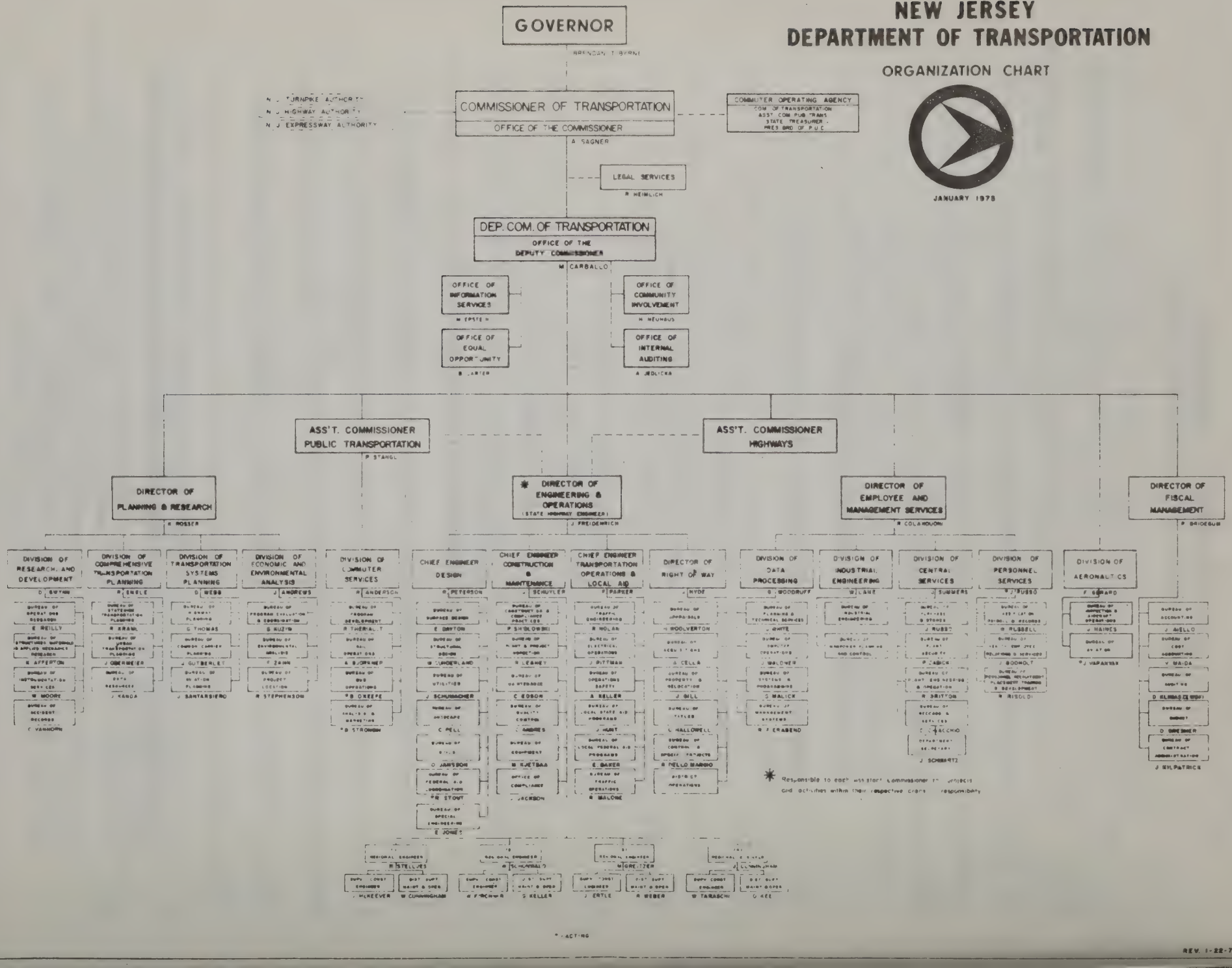
54. Transit Development Program, New Jersey Department of Transportation 1974-79, p. 9.

55. On November 20, 1975 the Commissioner announced a reorganization of the NJ DOT, effective November 24, basically affecting the administrative sectors of the Department. This chapter deals with the organization prior to that release.

NEW JERSEY
DEPARTMENT OF TRANSPORTATION

ORGANIZATION CHART

JANUARY 1978



REV. 1-22-79

The Offices of the Commissioner and Deputy Commissioner

In addition to his role as chief executive of the Department, the Commissioner of Transportation represents the Department on the Port Authority of New York and New. Jersey.[56] He also serves on the Commuter Operating Agency, which has the statutory power to administer financial aid to public transportation, the Transportation Research Council, and the Transportation Planning Board, all internal policy-making groups.

The Deputy Commissioner[57] oversees four (4) internal functions which report directly to him, including the Offices of Information Services, Equal Opportunity, Community Involvement[58], and Internal Auditing.[59] Also reporting directly to the Deputy Commissioner is the State Highway Engineer, who is responsible to each Assistant Commissioner (Public Transportation and Highway) for projects and activities within their respective jurisdictions.

---

56. The Department was represented, until recently, by the Deputy Commissioner on the Delaware River Port Authority. Two of the eight N.J. positions are now vacant. The Director of the Division of Planning and Research represents the DOT on Tri-State RPC and DVRPC.

57. The position of Deputy Commissioner, a new one to theDOT, was created by legislation under Chapter 43, Laws of 1974, to assist the Commissioner in the execution of his duties.

58. The Office of Community Involvement was created by the DOT Commissioner in June, 1974, with the sole responsibility for increasing the involvement of the public in planning and developing transportation projects.

59. The Office of Internal Auditing was abolished by the former DOT Commissioner in 1971 and recreated in 1974 by the present Commissioner.

The Public Transportation Sector

The public transportation sector is composed of the Division of Commuter Services, which includes Bureaus of Program Development, Rail Operations, Bus Operations, and Analysis and Marketing, and reports to the Assistant Commissioner for Public Transportation. The basic mission of this Division is "to develop and administer a transportation program which will maintain essential passenger service, both rail and bus."[60] Toward this end, the Bureau of Bus Operations is charged[61] with arranging service cost studies, analyzing operations and implementing operating efficiencies, to be coordinated with the Bureau of Analysis and Marketing. Other responsibilities include coordinating bus service with other modes of transportation, negotiating service contracts and checking compliance of bus operations with contract provisions, and availability and maintenance of facilities and equipment. This Bureau also inspects new and refurbished buses prior to their acceptance by the State for use in COA - contracted service, certifies bus companies wishing to qualify for special "low fee" license plates (more than 75% of operations in regularly scheduled service), provides information on bus routes, fares and schedules required for administration of the Senior Citizens Reduced Fare Bus Program, and develops and maintains a continuing inventory of bus transportation capital equipment and facilities owned by the State.

---

60. DOT Administrative Directive, No. 9.021-D; 3/4/74, p. 1

61. Ibid, p. 3.

Fiscal Management

The fiscal function of the DOT is of a supportive nature and includes five (5) Bureaus - Accounting, Cost Accounting, Auditing, Budget, and Contract Administration. The Fiscal Management Program is responsible for providing to the Commissioner a "continuing assurance of the integrity, propriety, and complete accountability of fiscal transactions and matters in the DOT; and the providing to management of financial guidance and audit oriented assistance pertaining to the establishment and control of programs and program elements."[62] Specifically related to public transportation studies, the Division evaluates operators' requests for subsidy for appropriateness of figures and performs calendar-year audits of carriers under contract for the fiscal integrity of operations.

The Planning Divisions

Four divisions comprise the Planning and Research function within the Department - Research and Development, Comprehensive Transportation Planning, Transportation Systems Planning, and Economic and Environmental Analysis. Only the activities of the former three Divisions are relevant to this analysis, and particularly one or two Bureaus within each Division.

The responsibility within the DOT for analyzing transportation systems and determining future transportation needs is assigned to two Divisions:

---

62. Form BB-101 General Statement of Objectives and Benefits FY 1975 Department of Treasury.

A. Division of Comprehensive Transportation Planning

1. Bureau of Statewide Transportation Planning

a. Provides projections of anticipated demands on the Statewide transportation system.

b. Implements the recommendations of the Transportation Planning Board.

c. Ascertains that all project proposals are consistent with the Master Plan and that each submission indicates the net effects and interrelationships with other major modes of transportation.

d. Plans, directs and supervises the development and maintenance of a comprehensive Master Plan for all modes of transportation.

e. Projects rural highway requirements as developed through various studies such as the National Transportation Study.

2. Bureau of Urban Transportation Planning

a. Maintains the Master Plan as applicable in certain urban areas and shows the effects of current as well as proposed transportation networks in these areas. Coordinates the Department's Master Plan with regional plans prepared by urban transportation study agencies.

b. Plans, directs and supervises activities, including comprehensive studies, required to determine the most efficient transportation system for major urban areas.

The major urban area study groups are the following:

Tri-State Regional Planning Commission;

Delaware Valley Regional Planning Commission;

Atlantic City Urban Area Transportation Study;

Salem County Urban Area Transportation Study;

Phillipsburg Urban Area Transportation Study, and

Cumberland County Urban Area Transportation Study.

c. Ascertains that proposals for urban transportation systems include multi-modal considerations and are compatible with existing and/or future networks.

B. The Division of Transportation Systems Planning, through application of the planning process, is responsible for establishing and maintaining the eligibility of New Jersey for the receipt of Federal funds under the various Federal Transportation programs.

1. Bureau of Common Carrier Planning

a. Plans, directs and supervises the translation of the needs identified in the comprehensive Master Plan into specific projects for transportation of persons and goods by all common carriers.

b. The input to the Master Plan by this Bureau is in three areas: 1) Commuter railroad transportation, 2) Rapid transit, and 3) Bus transportation. The majority of information on these three modes is obtained from studies such as the following: National Transportation Study, NJ DOT Comprehensive Bus Study (this study is presently in progress) and other regional or local technical transit studies.[64]

In the Division of Research and Development, the stated objectives are to perform scientific research and evaluation pertaining to N.J. Transportation systems, both highway and public transportation, and to maintain liaison with appropriate subdivisions of the Federal

---

63. DOT Statement of Benefits and Objectives FY 1974-75.

64. NJ DOT, Action Plan, Prepared by: Division of Economic and Environmental Analysis, Bureau of Program Evaluation and Coordination; in cooperation with: Federal Highway Administration, 4/75, Section V-2, V-5.

Highway Administration and various other highway research or interest groups.[65]

The activities of the 1) Division of Aeronautics and, 2) Employee and Management Services are not relevant to this analysis, and are mentioned here for purposes of completing the description of the DOT's organization structure. See Exhibit 3-B for DOT total payroll expenditures and budgeted positions for FY 1970-75, FY 1976 appropriated.

Three of the four following planning divisions of the NJ DOT are involved in mass transit planning activities.

- Transportation Systems Planning
- Research and Development
- Comprehensive Transportation Planning

Also considered will be the status of capital programs outlined in the 1968 and 1972 Master Plans for Transportation, and discussion of the unique transportation situations of several urbanized northern New Jersey counties.

The Public Transportation Planning Process

Transportation Systems Planning, by definition, is the traditional comprehensive, coordinated, continuing transportation planning process by which State, regional and local analysis is made of transportation needs, and the identification of transportation corridors is developed. The process involves activity at various levels of government and includes State, county and municipal agencies, public authorities, citizen organizations, regional transportation planning agencies and

---

65. DOT Statements of Objectives and Benefits FY 1974-75.

Exhibit 3-B

NJ DOT Payroll and Position Totals

FY	Total Payroll Expenditures*	Total Budgeted Positions
1970	$44,587,601	5546
1971	48,892,108	5422
1972	51,339,515	5426
1973	51,588,929	5310
1974	57,893,258	5235
1975	61,989,501	5365
1976 (appropriated)	56,629,715	5122

*Includes approximately

1) 300 temporary employees a year.

2) $3,000,000 in overtime annually.

3) 6% employees' cost of living benefit absorbed by Dept. in FY '75.

4) Maximum of $12,000 in accumulated sick leave payable at retirement.

5) Summer employee's salaries.

Source: NJ DOT Budget Bureau.

others concerned with the identification of potential social, economic and environmental considerations and those courses of action necessary to produce transportation development which is truly reflective of the needs of the populace.[66]

The Division of Transportation Systems Planning is a relatively new Division within the Department of Transportation, created in 1971. Its initial direction was the takeover of the several existing functions such as the Bureau of Highway Planning. The goals and objectives are guided by the administrative directive setting up the organization (DOT, Administrative Directive No. 9.025A, 6/9/71), but the present Director feels it is an inadequate statement of objectives and has a draft revision in progress.[67] He knows of no other explicit statement of goals and objectives.

The primary goal of the Division of Transportation Systems Planning is to maintain eligibility for UMTA funding. The Division Director feels they have achieved the goal, in terms of creation of new positions to add to a full Division capability, the six year Public Transportation Capital Improvement Program (completed), the State contribution to the national transportation plan every other year, the contributions every two years to updating the State Transportation Master Plan (1974 update not yet available), and the State's input into the Rail Reorganization Act.

---

66. NJ DOT, Action Plan, 4/75.

67. Interview with Director of Transportation Systems Planning, June 5, 1975.

There are uncontrollable factors impacting on the Division's achievement of goals; the most notable being the influence of the Federal government, particularly the US DOT. There is some measurement of divisional responsiveness in the annual submission to TSRPC of a list of technical studies which are required to maintain eligibility for Federal funding. An annual cycle exists of proposing technical studies, gaining approval, allocating the manpower to conducting the study, and producing a product and a charge against Federal funding. (An example of a technical study completed by the Division would be the electrification of the Erie-Lackawanna Railroad.) The liaison with the US DOT is complicated by UMTA's split into planning and capital grant sections. When approval from their planning section is obtained, this does not guarantee approval from the capital grant sections. The technical study program has been in operation since the Urban Mass Transportation Act of 1964 was passed, but New Jersey has only become involved since April of 1972. An example of the results of the program was the facilitation of the capital grants for the purchase of 1,200 buses. Other accomplishments within the Division have been the establishment of a process for consultants in the mass transit area (that had not been established before), and a process for the evaluation of consultants' work (a new development to meet Federal funding requirements). The Division has completed four technical feasibility studies and has proposed four more for fiscal 1976. The subsidy incentive formula feasibility study, funded by

UMTA Section 9 (Technical Feasibility Studies), will be done by the Division of Commuter Services, since that Division will have to implement the results, and is being coordinated with UMTA and TSRPC through the planning division.

The Division's activity has attracted $1.5 million in Federal money (80-20) for study work. An example of responding to unanticipated situations with Federal funding is when a Federal official announced that $127,000 was available to New Jersey for initiation of a local transportation planning assistance program. The offer of funds through TSRPC was to coordinate transportation planning with county land use effort. Although the timing was spur-of-the-moment, the Division was able to attract application money for that proposal and also attract $121,000 for the second year of the program.

According to the Director, the work time split is 80% planned activity and 20% reactive. An example of rescheduling of planned activity involves unanticipated highway work which has upset the scheduled work on feasibility of additional park-and-ride facilities. Other examples of reactive work involve situations classified by the Division Director as "routine emergencies". Although he has delegated much of the consultants' liaison work to Bureau chiefs, he has been forced to personally manage several technical studies. As he is the only person in the Division with direct railroad work experience, he manages work done in connection with the Rail Reorganization Act.

Performance indicators take the form of private reports to the Federal government and prepared statements for the annual budget request.

The Division does not have an outside agency that it reports to to evaluate Divisional work (besides the reporting requirement to the US DOT) but does relate to a plethora of governmental agencies.

The efforts on any technical study are complimentary and/or cooperative. The Division operates mainly from the Department of Transportation Procedures Manual with only some infrequent memos from the Division Director on administrative matters.

The goals and objectives of this Division as stated in the previously cited Administrative Directive are not quantified, and the process for monitoring its goals and objectives with regard to the need for modifications, additions, or deletions, is intuitive, based on daily operations. Since the objectives are not quantified it is rather difficult to determine if such were met, or what attainment level was reached. The latest available DOT Report of Operations, FY 1973, is not particularly enlightening. Although tasks have been accomplished, the question remains as to what was planned that was not accomplished vs. what was postponed at what sacrifice of benefits.

The Division of Research and Evaluation was recast into the Division of Research and Development by Administrative Directive No. 9.026-A in 1971 to perform scientific research and evaluation relating to physical items such as: materials; multi-modal transportation

structures and components; and also systems and procedures such as: traffic safety; transport of people and commodities; systems and techniques pertaining to design, construction, maintenance and operation of multi-modal transportation networks. It is also charged with maintaining liaison with appropriate subdivisions of the Federal Highway Administration and various other relevant associations. Most of the projects and effort of this division are determined by the DOT's Transportation Research Council (TRC), created in November, 1968 and reorganized by Administrative Directive No. 9.008-A in April, 1975. This Council was to be the arm to monitor research projects, establish priorities, and apply research results.[68]

A review of all minutes of TRC's monthly meetings from the initial meeting in November, 1968 to June, 1974 revealed that the great majority of projects discussed involve highway transportation, traffic volume and safety studies, materials testing, and design construction techniques. Most public transportation projects considered by the TRC and the Division of Research and Development dealt with exclusive bus lane feasibility studies, the Federally-funded Dial-a-Ride experiment in Haddonfield, N.J., and park-and-ride feasibility studies. The minutes show that the lack of public transportation oriented projects and research was a TRC concern beginning in 1971.

However, it was not until 1974 that project proposals began to emerge from the TRC monthly discussions. These include:

---

68. This Administrative Directive is included in Appendix D.

1) ridership prediction study for various transit modes and private vehicles;

2) bus signal preemption study;

3) expansion of the Northern New Jersey TNJ telephone information service to include more bus and rail routes; and

4) schedule information and a bus routing analysis requested by the Director of Commuter Services.

Final decisions on initiation of a few of these studies were reserved pending a DOT investigation of the availability of Federal funds for study, or submission of a proposal or detailed work plan. No results of these efforts have materialized as yet; thus, the Transportation Research Council had not, as of June , 1975, determined how the results of the public transportation research should best be applied.

The nature of the effort within this Division of Research and Development, complicates the development of quantifiable goals, which are lacking in this Division. With no quantificable objectives, no on going evaluation of attainment levels is possible until the end of the fiscal year.

The Division of Comprehensive Transportation Planning (DCTP) was also created by Administrative Directive No. 9.024-A in June of 1971. Its statement of objectives and function remains in use today. As with the Division of Research and Development and the TRC, this Division relates to the Transportation Planning Board, the formal body charged with rationalizing transportation systems, setting all

departmental priorities, and coordinating all long-range planning policies.[69]

As with the other planning divisions, DCTP objectives are not quanitifed and therefore resist evaluation. Changes or modifications in work load may occur based on monthly narrative progress reports, contacts with bureau chiefs, and requirements or changes in regulations from the US DOT/FHWA and UMTA, regional planning commissions and authorities.

With non-quantifiable objectives, it is difficult to ascertain levels of achievement. In addition to monthly project progress reports covering each of the three Bureaus, it has issued a "Work Program and Estimate of Cost" publication which provides information on the previous year's attainment by individual project only.

However, inspection of the "Work Program" yields no insight on attainment levels or percentages for FY '74, nor on the additional amount of resources (time and manpower) needed to be expended. Cross checking on individual project (#4575) with the Monthly Progress Report is not further enlightening.

Some projects in the "Work Program" do give a degree of level of accomplishment or percentage of completion of certain items. An example of this appears in the June, 1975 Monthly Progress Report (Bureau of Urban Planning) for the Cumberland County Urban Area Transportation Study.

---

69. The 1975 NJ DOT Administrative Directive describing the TPB's organization and functions is included here as Appendix E.

"The following portions of the study tasks have been completed:"

		Increase Over May*
1. Community Involvement Program	85%	--
2. Reformat and Document Data Tapes	90%	--
3. 1973 Employment Update	95%	--
4. Air Quality Analysis	100%	+5%
5. 1974 Employment Update	60%	--
6. Short-Range Capital Improvement Transportation Program	100%	+10%

*OFA inserted.

However, on others, the status of the project cannot readily be determined.

"Accomplishments during the fiscal year 1973-1974 included the following:

a. Phase I study design completed.
b. Refinement of traffic zones and highway network.
c. Coding of highway link data approximately 50% complete.
d. Completion and coding of travel time study data.
e. Revised available literature on trip generation and distribution.
f. Initiated recoding of available urban study roadside surveys for use in developing and/or checking synthetic trip generation and distribution models."

"The degree of achievement strived for in the 1973-1974 HPR Work Program was not realized because available resources were diverted to other studies not previously anticipated. These studies included the Critical Highway Facilities Inventory, the National Scenic Highway Study, the Priority Primary Route Study and the Special Urban High Density Traffic Route Program."[70]

---

70. NJ DOT, Director of Planning Work Program and Estimate of Cost for FY 1974-75, Federal Aid Project HPR - PL - 1 (10), 7/1/74, p. 52.

Monthly progress reports are utilized in this Division in an attempt to avoid or minimize wasted effort and resources. But as an indicator or measure of achievement, statements such as, "The coding of both weight and count forms is progressing as expected,"[71] and "time continues to be spent on gathering and assemblying data for the Master Plan and program,"[72] are only sufficient to convey meaning between the Bureau Chief and Division Director.

The Division Director estimates that planned activities constitute 80% of the agency's effort. Examples of reactive efforts were: car pooling (due to pressure from the federal government), 55 MPH speed limit, Critical Highway Facilities Inventory, National Scenic Highway Study, the Priority Primary Route Study, and the Special Urban High Density Traffic Route Program. In most cases when unplanned, unscheduled work preempts planned work, the Division Director obtains concurrence from his supervisor, the Director of Planing and Research, for the shifting of resources and project priorities. This was found to be the procedure in all of the planning divisions. Such modifications have affected two major projects, the Master Plan and Statewide Planning.

---

71. Bureau of Data Resources, Monthly Progress Report, June 1975, Project 4533.
72. Bureau of Statewide Planning, Monthly Progress Report, June 1975, Project 4567

Finding 10. Within the NJ DOT planning divisions, existing goals and objectives have not been properly. quantified nor are output measures of achievements clearly defined.

For example, if research is the primary product, the division should set targets at the beginning of the fiscal year for the number of studies to be completed on the various modes of transportation, what manpower and other resources will be required, and the identification of partial completion and review dates during the year. Priorities should be set initially among projects so that results are timely and of maximum utility.

It is recommended that the NJ DOT establish goals for the planning function and that the monitoring and priority mechanisms become effective.

Finding 11. There is no coordination of planning divisions annual activities with the Division of Commuter Operations toward the goals of preserving present mass transit services, improving services, and increasing ridership

The Director of Planning and Research, who is responsible for all four planning divisions, characterized the planning activities as an incremental process, rather than a synoptic procedure.[73]

Very little research has ever been done on public transportation by the research forces. Most DOT research has focused on rail station platforms and exclusive bus lanes. Much more has been done by other quasi-governmental or private agencies, and the DOT relies on these sources for information. One Division Director characterized existing public transportation research as "exotic and esoteric"

---

73. Meeting with Division Director, 7/3/75.

and questioned its value. His hope was that the DOT research staff could perform applied rather than basic research.[74] DOT planning staff also question the value of research in public transportation in light of the "astronomical costs" of capital projects which defer realization of study results.[75] They expressed the feeling that many existing projects will never be completed.

Form of Organization

State DOT's are a phenomenon of the last 15 years, with most having been established in the last eight. All of the 27 State DOT's (as of 1974) have been created since Hawaii took the first step in 1959, and all but Hawaii's and California's date from the establishment of the Federal DOT in 1966. Thus, while some states had reorganized their transportation systems before the Federal government's action (and others, like New Jersey, were in the early stages of doing so), the passage of legislation creating the Federal DOT stimulated and accelerated State reorganization in the field of transportation. In fact, the desire to maintain satisfactory communications with the Federal DOT is one frequently cited reason for the creation of a State DOT.[76]

Of the 27 states with DOT's, fifteen (15) are more urbanized than the median of all 50 states. This relationship between urbanization and the formation of State DOT's is especially strong for

---

74. Ibid.

75. Ibid.

76. ACIR p. 137.

the earliest DOT's; of the first 13 (approximately 1970 or before, which includes New Jersey), 11 are in states with urbanization rates above the median. This strong correlation may reflect the fact that as an area becomes more urbanized its transportation system becomes more complex.[77]

According to research undertaken by the Advisory Commission on Intergovernmental Relations, the primary forms of organization of State DOT's are:

a) modal - organized by modal division (aeronautics, highways, mass transit, water transport) with each performing all the functions required for its operations.

b) functional - constituent organizational units represent functions such as planning, design and construction, maintenance, and administration, with each unit performing its assigned function for all modes.

c) mixed - both modal and functional units are present, usually with cross-modal units for planning and for administration, accompanied by a number of modal units.

New Jersey's DOT is a good example of the "mixed" form of organization. For example, the Department has separate units dealing exclusively with the public transportation, highways, and aeronautics modes, with Assistant Commissioners overseeing two of these areas. However, within the planning and research units particularly,

---

77. ACIR p. 138-9

multi-modal research is conducted independently of the several modal units. The same is true for the compilation and analysis of data within the Fiscal Management Division.

A recent U.S. DOT staff paper[78] recommended the functional form as the preferred organizational style for State DOT's, citing its improved potential for intermodal cooperation as an advantage over the modal organization, which tends to encourage modal competition. Since multi-modal planning and development is the fundamental goal of the DOT movement, and specifically mentioned in the New Jersey statute, an organizational style which advances this goal is much preferred to one which frustrates it.[79] New Jersey is among the majority of States not carrying the multi-modal concept to its logical conclusion as they choose organizational forms for their DOT. Most states are adopting structures with less than the maximum possible emphasis on multi-modalism as an organization goal.

Transportation Commissioner's Powers

Another important factor determining a DOT's potential for developing an integrated, multi-modal transportation system is the power given to the Commissioner of the DOT to plan, make policy, and prepare budgets for the entire agency.[80] The previously mentioned ACIR research found New Jersey's DOT incorporates strong planning power for the Commissioner; however, in the other functions-policy-making and budgeting-the New Jersey Commissioner's power was

78. ACIR p. 142.
79. ACIR p. 142.
80. ACIR p. 142.

rated weak and moderate, respectively.[81]

In the case of policy-making, the Commissioner exerts strong influence (including veto power) over the activities of internal policy-making bodies - the COA, the Transportation Research Council, and the Transportation Planning Board; however, on the various external policy bodies, he exerts little or no influence. For example, the DOT Commissioner is one of 12 voting members of the Port Authority of New York and New Jersey, the bi-state body which performs functions relating to the port's development as derived from the compact. Although a powerful agency, an individual's potential for influencing policy decisions within the group of Commissioners is limited (or must be channeled through the Governor's office).

The three authorities "in but not of" the Department[82] - the Turnpike Authority, the Highway Authority, and the Expressway Authority - possess policy-making powers independent of those of the DOT Commissioner. The members are appointed by the Governor (with the advice and consent of the Senate), who has veto power over their

---

81. ACIR p. 143.

Director's planning power is considered strong if there is a central planning unit which a) provides policy guidance for the director, and b) conducts planning for all modes; considered weak if (a) strong planning capability exists within modal divisions, or (b) central planning unit has no formal policy role.

Policy power is considered strong if the DOT is a) a single agency b) under a policy-making director, c) with no policy-making boards within the DOT; moderate if (a) and (c) hold, but the entire agency is under a policy-making board or commission; weak if there are modal policy-making boards within the agency or if the DOT is a coordinating agency with largely independent modal units.

Budget power is considered strong if (a) there are no dedicated revenues - other than a flexible transportation trust, and (b) budget control is vested in the director; moderate if (b) holds but some dedication of revenues exists; weak if neither (a) nor (b) holds.

82. N.J.S.A. 27:1A-33.

proposals. The DOT Commissioner may be consulted and advise the Governor as to the desirability of Authority proposals and how they would impact on DOT plans for transportation development, but the policy-making power remains within the gubernatorial realm. Thus, the potential exists for Authority projects to be approved and initiated which represent policies in conflict with DOT policies and plans.

This separation between various authorities and the DOT, with the inability to comingle resources, is a contributing factor to the New Jersey Commissioner's relatively weak budgeting power.

Public Transportation Regulation

All of the State DOT's include highways among their responsibilities, reflecting the fact that DOT's are, in terms of personnel and budgets, primarily reorganized highway departments. With one exception, (New York) the DOT's have not assumed the regulation of transportation as a responsibility. In New Jersey, the regulation of public transportation has been statutorily vested in the Department of Public Utilities, Bureau of Rail and Motor Carriers, which issued certificates of operations to carriers subsequent to obtaining municipal consent. Financially troubled companies were required to request permission from the PUC to discontinue or curtail service, a process which included a mandatory public hearing.

The DOT subsidy program, administered by the COA, was designed to maintain and preserve passenger service "determined by the agency

to be essential" and the criteria for determining the "essential" routes to be preserved are:

1. The availability of alternative means of public transportation;

2. The potential cost of continuing service sought to be curtailed or discontinued;

3. The cost to the State of providing alternative transportation facilities either by common carriers or highway improvement; and

4. The resulting effect on State and local population trends, economic values and tax revenues.[83]

Due to its conflicting orientation with that of the DOT, bus service regulation through the PUC has been based on a legalistic, adversary-type process, which has not allowed flexibility needed to stabilize companies reaching a condition of marginal profitability. Ameliorating this situation somewhat is the change in regulations which removed bus routes and service levels from PUC jurisdiction, and the proposed merger of the Bureau of Rail and Motor Carriers with the Department of Transportation's Division of Commuter Services. This should effectively transfer responsibility for the regulation of bus and rail carriers to the DOT.

> Finding 13. The mixed-modal organization of NJ DOT allows a framework for public transportation and highway orientations to independently compete for NJ DOT resources. This difficulty is exacerbated by the existence of highway authorities which are associated with the NJ DOT, but not under its authority for the purposes of resource allocation, coordination of transportation modes and capital project priority setting.

---

83. Laws of 1966, c. 301, Sec. 19. Amended by Laws of 1967, c. 71, Sec. 5 and Laws of 1971, c. 216, Sec. 1.

It is recommended that NJ DOT eliminate any existing organizational barriers to facilitate achievement of objectives of all transportation modes. Resources among all transportation authorities and agencies of the State of New Jersey should be pooled for allocation among all transportation programs.

CHAPTER FOUR: SUBSIDY ADMINISTRATION

This chapter will discuss the bus and rail subsidy programs' origins and legislation, and growth and development to the present. Special attention will be devoted to fiscal and performance oversight of the bus subsidy program, county participation in the program, the proposed PUC merger, subsidy contract issues of return on investment and depreciation, Phase A Bus Study recommendations, "crisis" administration within the Division of Commuter Operations, manpower levels assigned to the Division of Commuter Operations, Southern New Jersey bus feeder subsidy contract, and equipment leasing companies.

Program Origins and Legislation

On January 1, 1969, the NJ DOT formally recommended to Governor Richard Hughes 1) that the State begin an interim program to subsidize local bus service on a 75/25 matching basis with local governments "to support bus services which would otherwise be terminated" and 2) public acquisition of the Public Service and Inter City Bus Companies. NJ DOT identified the developing stagnation and decline of service of the New Jersey bus industry, and the growing need for subsidies to carriers. At that time NJ DOT warned that public ownership of bus companies was more desirable than a subsidy program:

> "Once a subsidy program is undertaken, considerable and increasing amounts of public funds will be committed for the preservation of the existing operations, with no perceivable improvement for the benefit of the taxpayer. Subsidies can easily become a crutch for poor management. Once the arrangements are fixed and the threat of loss of service curtailed, some of the chances for making improvements will become difficult.[84]
>
> But even if one were willing to overlook the inefficiencies of small scale operations and duplications of routes inherent in the subsidization approach, there remains the problem of administration with 274 bus companies in the State, most of which are very small operations with no fiscal control devices, any subsidy program will pose extreme administrative difficulties.[85]

The Commuter Operating Agency, created by the Transportation Act of 1966, is charged with, among other duties, contracting for bus service, with any motor carrier, which is "necessary to provide or encourage adequate commuter use of intercity bus service and would not otherwise be provided or made available without State assistance."[86] Payment by the agency for such passenger service was to be based on the actual cost of such service to the motor bus carrier plus a 6% return on investment.[87]

The COA may also buy, lease or rehabilitate buses used for passenger service by any State motor carrier. The subsidy program,

---

84. NJ DOT, Buses: Crises and Response, May 1, 1969, p. 5.

85. NJ DOT, Buses: Crises and Response, May 1, 1969, p. 32.

86. Laws of 1966, c. 301 Sec. 19, Amended by Laws of 1967, c. 71.

87. Ibid.

which was designed to maintain passenger service "determined by the agency to be essential," defined the criteria for determining the "essential" routes to be preserved as:

1. The availability of alternative means of public transportation;

2. The potential cost of continuing service sought to be curtailed or discontinued;

3. The cost to the State of providing alternative transportation facilities either by common carriers or highway improvement; and

4. The resulting effect on State and local population trends, economic values and tax revenues."[88]

Program Expansion

In fiscal years 1971-1975, the COA has received applications from financially-troubled bus companies for more subsidies than it had appropriations available. The program has grown from initially subsidizing 8 bus carriers at a total cost of $531,000 in FY 1970 to 26 carriers at approximately $41,600,000 in FY 1975, with more companies expected to join the program, with accompanying increased costs, in FY 1976. Exhibit 4-A shows the total amount of subsidy money (State and county share) per carrier for FY 1970-75.

Bureau of Bus Operations Role

The responsibility for administering the bus subsidy program lies within the DOT Division of Commuter Services' Bureau of Bus

88. Ibid. Sec. 2.

Exhibit 4-A:

New Jersey Bus Subsidy Program FY 1970-1975
Total Dollar Amounts (State and County Share) by Subsidized Carrier

Subsidized Carrier	FY 1970	FY 1971	FY 1972	FY 1973	FY 1974	FY 1975	Totals*
Atlantic City Transportation Co.	$221,666	232,000	270,306.06	357,500	572,000	685.490	4,428,962.06
Asbury Park - N.Y. Transit				90,000	150,000	553,399	793,399
Associated Bus Co.			51,710	78,950	129,355	229,902	489,917
Amboy Coach				39,660			39,660
Bergen Cross County TNJ B-2 (Demo.)			71,084.28	125,000	361,000	525,000	1,082,084.28
Albert Baver					32,354	5,954	38,308
Blue and White Bus						48,795	48,795
Boro Buses Co.		48,885.47	144,873.47	176,000	266,640	338,519	974,917.94
Coast Cities Coaches	52,996	110,690	141,848.07	180,000	224,078	287,338	996,950.07
Community Bus Lines		120,000	129,000	154,000	190,000	467,698	1,050,698
Garden State Coachways				27,600	85,885	Salem 52,236 Cumb. 24,669	190,390
Garfield-Passaic Bus Co.		26,159	31,000	37,000	50,000		144,159
Garfield and Passaic Transit Co.		16,000	68,000	88,000	135,000	179,133	486,914
Hudson Bus Transportation Co.					78,620	361,050	439,670
Inter City Lines		200,000	303,883				503,883
Jersey Bus Co.				120,000	180,000	260,752	560,752
Marathon Bus Lines	5,557	50,000	44,927	68,000			168,484
Marathon Bus Lines and Amboy Coach					182,000	336,943	518,943
Mercer Metro**	124,999	100,000	100,000	100,000	150,000	1,818,021	2,393,020

Exhibit 4-A:
New Jersey Bus Subsidy Program FY 1970-1975
Total Dollar Amounts (State and County Share) by Subsidized Carrier
(continued)

Subsidized Carrier	FY 1970	FY 1971	FY 1972	FY 1973	FY 1974	FY 1975	Totals*
N.Y.-Keansburg-Long Branch Bus Co.	$				99,364	354,024	453,388
Passaic Athenia Bus Co., Inc.			20,200	75,000	108,346	151,053	354,599
Plainfield Transit		23,811	27,641	36,568	58,891	78,931	225,842
Rockland Coaches				6,000	40,000		46,000
Somerset Bus				46,115	300,000	1,035,861	1,381,976
Summit-New Providence	24,615	46,721.12	46,991.12		323,294		441,621.24
Trackless Transit, Inc. and Mountain Coaches				139,750		636,291	776,041
TNJ, Bergen County Lines (B-1, B-3, B-4, B-72)				236,000	236,000		472,000
TNJ, ECOM (Monmouth, Burl., Camden)					15,000	27,900	42,900
TNJ, Newark City Subway	41,666.65	100,000	147,511	176,000	249,520	316,220	1,030,917.65
TNJ, PATCO Feeder Bus				2,000,000	3,000,000	3,600,000	8,600,000
TNJ, Middlesex County					196,400	196,400	392,800

Exhibit 4-A:

New Jersey Bus Subsidy Program FY 1970-1975
Total Dollar Amounts (State and County Share) by Subsidized Carrier
(continued)

Subsidized Carrier	FY 1970	FY 1971	FY 1972	FY 1973	FY 1974	FY 1975	Totals*
TNJ, General Operations					4,600,000	16,640,786	21,240,786
Watchung Mountain Transit				67,250	68,021	81,400	216,671
Mays Landing Al (Demo.)			4,063.83	4,500			48,563.83
GRAND TOTAL							$55,324,012.07

*For break-down of State share and county share, see Appendix A.

**Figures for Mercer Metro do not include payments by the county to cover the deficit in carrier operations, but only subsidy payments by the State.

Note: All figures are approximate. This table was compiled from several available sources and reflects the reliability of data used.

Operations, which accepts applications for subsidy (financially evaluated by the Division of Fiscal Management) and administers the subsequent contracts for compliance with regulations concerning on-time performance, service levels, driver attitudes, routes, and other contract variables. Contracts with carriers require continued levels of service and vehicle maintenance with a minimum of delays and cancellations. The COA does have the flexibility to amend the contract for additional service for additional compensation not exceeding the estimated actual cost of such additional service. The contract specifies how the 6% return on investment is to be calculated and what quarterly reports are required from the carriers.

The Bus Bureau Chief in 1973 employed informal criteria for determination of whether a route should be preserved, which were:

1) Does the route serve a mass transportation dependent clientele?

2) Does the route pay for half its costs from fare box revenue?[89]

No rigorous tests existed or were applied to these criteria. Basically, routes were modified through a process of communication between the Bus Bureau Chief, bus companies, and local officials, which did result in a few improvements.[90] Even so, modifications were made as a reaction to a crisis, rather than as a result of careful planning and forethought.

---

89. Meeting with Bus Bureau Chief, 6/73.

90. Notably in South Jersey (Collingswood and Audubon), 1 bus route created dangers to children playing and another went down a secondary street which could not handle its weight. Both routes were changed.

The Bus Bureau has been headed by persons with a great deal of experience in the bus industry, and with a strong personal interest in bus transportation. The prevailing management style has been based on intuition or a "feel" for the bus situation developed through years of experience. This attitude was especially apparent during the recent COA program of bus route curtailments and discontinuances, precipitated by the State's fiscal crisis. Substantial changes were made in a very brief period of time and, as NJ DOT admitted, without the benefit of data or analysis. The public hearings, which were required and followed the announcement of the program, pointed out problems with this approach[91] - incomplete knowledge of ridership, schedules and alternate service.

The bus companies also make decisions based solely on "years of experience." One bus company president, when questioned by DOT auditors on his financial estimates submitted in a subsidy application, responded that they were developed by "sniffing the wind,"[92] and could not be verified by DOT staff. The projection by this company estimated a loss of of $85,500, while a comparison with the ICC report for the previous year showed a net profit of $5,664.[93] The application for subsidy figures have been accepted by NJ DOT with few alterations in the contract negotiation process.

---

91. See OFA Memorandum to Joint Legislative Committee on Bus and Rail Subsidies, September 15, 1975.

92. DOT Audit Report #75-2, 7/12/74.

93. Ibid.

Finding 13. Review of bus subsidy applications have been performed by NJ DOT without the benefits of forecasting data necessary for independent evaluation of dollar requests and other management tools.

The COA priorities for subsidy allocation follow the statutory guidelines with first priority placed on the renewal of previous subsidies, if carrier performance remains satisfactory. Factors affecting a continuing subsidy are continuing deficit operations, lack of alternative or competing mass transit service, and satisfactory contract performance. Some carriers have been dropped from the program, but the program has not diminished due to the increasing number of carriers applying and being admitted and the increasing size of the subsidy to each carrier.

A bus subsidy will terminate under one of three kinds of conditions:

1. The operation profit picture improves.
2. The COA decides to subsidize alternative service.
3. The bus company is allowed to discontinue operations or does not live up to contracted service.[94]

---

94. Post Audit Conference at NJ DOT 6/19/73.

The COA has a sometimes difficult task in allocating bus subsidies, for, with 270+ bus companies in the State, there exists overlapping service in many areas. An example of this exists where X bus company is subsidized and competes with a non-subsidized line. The subsidized line may have non-union drivers, who are paid a lower hourly rate, and is judged to give lower quality service than the company with union drivers. The choice of which line to favor has been made on getting the most service per subsidy dollar, by supporting the lower cost operation. But this is not always the optimal solution. [95]

Fiscal Oversight

The audit section of the DOT Fiscal Management Division prepares carrier audits on the basis of a calendar year's operation, so that a full-year picture is presented to COA staff for evaluation prior to allocation of the subsidies for the next fiscal year. New applicants must submit to a DOT audit as a condition of acceptance in the subsidy program. A non-continuing subsidy is audited immediately upon completion. Final monthly payments are withheld pending completion of an audit. In a continuing subsidy, 10% of the subsidy amount is withheld pending a verification of the amount of the carrier loss during the subsidy period. Any overpayments documented by audit are deducted from the next monthly payment.

---

95. Ibid.

The DOT audit section has not always been up-to-date in the auditing of subsidized bus carriers. Delays were created a few years ago when the audit schedule was changed from a fiscal year to a calendar year base. However, the OFA analysts were assured by DOT fiscal management that the FY 1974 contract audits have been completed and work is underway on the audits of FY 1975 contracts. The Bus Bureau is currently operating the subsidy program on extensions of FY 1975 contracts and FY 1976 appropriations.

Performance Oversight

Bus carrier performance standards are not yet in a definitive stage, particularly to determine relative efficiency among carriers. A set of criteria can examine expenditures and economy of operations, but neglects the important measurement of service usefulness to riders. The Division Director of Commuter Services has indicated that his agency has developed a few measures of effectiveness and efficiency, including 1) level of ridership compared to total travelling public, 2) contract dollar per rider carried, and 3) contract dollar per bus/mile.

There are also two informal criteria used by the Department to determine whether a route should be preserved or discontinued:

1) Does the route serve a mass transportation dependent clientele?

2) Does the route meet half its costs from fare box revenue?

In order to apply such criteria, the need exists for a staff performing route evaluation and planning. Presently, no group within the DOT performs this function. The recently staffed Bureau of Analysis and Marketing was designed to assist the Bus Bureau with these activities, but to date the Analysis and Marketing section has been used to process UMTA grant applications instead. This has been in part due to understaffing in the Division of Commuter Services, and the inability of existing staff to perform such analysis. The Division has recently undertaken a recruiting effort to increase staff size and upgrade the talent quotient, in an effort to begin to produce the needed data.

Finding 14. The NJ DOT has statutory priorities and informal criteria to determine if bus routes should be preserved or allowed to be discontinued. However, no staff within NJ DOT performs the evaluation necessary to apply the priorities and informal criteria.

Quarterly reports by carriers are required by contract but they do not in their present form provide any information that would be useful in the analysis of ridership or revenue of individual bus routes. The supplemental appropriation act of 1975, which amended P.L. 1969, c. 134, included a requirement for quarterly reports by subsidized carriers to the DOT Commissioner. These reports were to provide information sufficient to determine ridership by month, senior citizen ridership by month, operating cost revenue per mile of scheduled operation and the average subsidy per rider. These reports should improve the quality and uniformity of data available to the Bureau for evaluation purposes.

The lack of analysis and proper monitoring, auditing, and processing in the subsidy program has been noted by Commissioner of Transportation Alan Sagner. In his presentation of the NJ DOT budget request for FY 1977 on November 12, 1975, the Commissioner asked for

> "major new commitments of personnel and funds..for the administration of the public transportation subsidy program. With the funds the State of New Jersey is paying to subsidize transit, we cannot afford to run our subsidy program like a candy store. We have more audit and control over a poor welfare recipient receiving several hundred dollars a month than we do over the major corporations receiving tens of millions of dollars in subsidies. We must add substantially to our audit capacity to police expenditures. But we must also add to our analytic ability to make sure that expenditures are effective. We have anticipated and agreed with our critics that the current subsidy system has inherent weaknesses..."

The monthly ridership statistics that are submitted to the Bureau from subsidized carriers are not broken down by route. One contributing factor may be the wide variation in kinds of equipment(cashbox, mileage recorder) used by the different bus companies. For very small companies, these conditions may facilitate inaccurate or inadequate reporting. Also, the lack of fiscal control within bus companies, as documented in DOT audits, increases the probability of inaccuracies and, possibly, fraud. Thus, NJ DOT has not been able to compile reliable and detailed cost and revenue figures by route and carrier through the fiscal audit process or from carrier reports which would enable rational evaluation of subsidy requests and allocation of funds. The audit process itself would be strengthened if carriers had standard fiscal controls, bookkeeping and fiscal organization.

Rail Subsidy Program

The NJ DOT began its subsidy program to all carriers based upon "avoidable cost" concepts. Since freight traffic operates on the same tracks as commuter service, the cost of providing commuter services is calculated by assigning costs between the two types of operations. The allocation is accomplished through detailed modeling of operations by a firm, L.E. Peabody Assoc., acting as consultant to NJ DOT.

The Bureau of Rail Operations monitors the on-time performance of the carriers, number of car-miles run and the cleanliness and comfort of equipment used for commutation service. A system of dollar penalties is applied for violations of contract after a certain level of violation is reached in any contract year.[96] The Bureau reviews contract adherence with all carriers monthly.

The avoidable cost concept, when applied to railroad operations, is essentially a technique for measuring expenses which would not be incurred if the passenger service under consideration did not operate. This approach has two attributes which identify it most notably. First, costs of a service are "charged" against that service only if they would no longer exist in the absence of that service. Second, the avoidable cost concept ignores non-cash savings.

---

96. The penalty system does not operate for the Penn Central contract because the amounts and contract basis are negotiated.

The avoidable cost approach may be further clarified by contrasting it to the allocated cost approach. Distinguishing features of the ICC allocated costing system are as follows:

- Under ICC Procedures, costs not identified as solely related to either passenger or freight operations are initially designated as common costs, and then distributed to passenger and freight operations through a variety of allocation formulae. Under the avoidable approach, common expenses are identified as avoidable only if they could be eliminated with the discontinuance of the subject service.

- ICC operating expenses include depreciation, which is an accounting process for the gradual conversion of fixed assets into expenses over the accounting periods in which the asset is used by the company. Depreciation relates to a past capital expenditure for plant or equipment and is a non-cash item. The cash based avoidable cost method would not include these charges. In applications where the avoidable approach treats capital expenditures, it considers only the alternative economic use of the avoidable plant and equipment items, if any.

For a railroad providing both freight and passenger service, various methods are available to determine which revenues and costs pertain to freight and which to passenger.

Generally, major items of revenue are solely related to either passenger or freight service. Thus they do not pose a serious problem in determining the service with which they are associated. For certain categories of revenue, such as rental properties, special analysis may be required to determine the associated service.

The magnitude of costs assigned passenger or freight service will vary depending on the analytical approach followed in assigning costs.

As a first approach, the Interstate Commerce Commission (ICC) Uniform System of Accounts (as reflected in the Annual Reports of the carriers to the ICC) provides for assignment or apportionment of the various items of expense between freight and passenger service. This apportionment is made using the "Rules Governing the Separation of Operating Expenses, Railway Taxes, Equipment Rents, and Joint Facility Rates Between Freight Service and Passenger on Class I Railroads, Including Switching and Terminal Companies of Class I Railroads." Although these guidelines are titled rules, they provide wide latitude for the carrier in making assignments to freight and passenger service.

A second approach is to determine costs on an avoidable basis. In taking the avoidable approach, one attempts to determine which costs would no longer exist or would be reduced in amount in the absence of a given service. As a starting point for an avoidable analysis, one must decide which service is to be viewed as the avoidable service.

A third approach is the use of standard costs. Costs per unit of volume or per unit of service are established for various activities. These standard unit costs are then applied to the level of activity performed by the railroad.

A fourth approach to cost assignment is the sharing of costs between passenger and freight on various bases.

As a fifth alternative, contract negotiations sometimes arrive at a negotiated set of costs which may reflect any one or some combination of the above alternatives. The text of a negotiated contract may set out the philosophy employed in the determination of costs or the rationale used in assigning costs to various services.

Determination of certain items of cost will be essentially the same under any reasonable analytical approach. This statement is most applicable in the case of solely related expenses. Principal examples are train and engine crew wages and fuel for locomotives. In addition, depending on the structure of the railroad's operations, maintenance and servicing of equipment costs will show essentially the same magnitude of cost under an avoidable, an allocated, or a shared approach. Other categories of cost which are primarily common to both freight and passenger operations will vary substantially in magnitude depending on whether an avoidable, an allocated, or a shared approach is taken. Principal examples here are Maintenance of Way[97] costs and General and Administrative expenses.

New Jersey has been subsidizing rail services in the State since 1960 (FY 1961). In 1962, a subsidy payment was established

---

97. Maintenance of Way refers to track and signal improvements and any activity associated with those items.

based on avoidable costs to Penn Central. Present contracts with the Erie-Lackawanna Railway Company, Pennsylvania-Reading Seashore Lines, and the Reading Company employ the avoidable concept in determining losses from passenger operations. The current contracts with the Central Railroad Company of New Jersey and the Penn Central Company are on an interim basis; as such they do not specifically identify cost components. Previous contracts with these latter two carriers have also provided for subsidies on a net avoidable cost basis.

For the period July 1, 1960 through June 30, 1964 subsidy payments were on a cents-per-mile basis for car-miles operated in contracted passenger service. The car-mile basis was established in 1960, and reimbursement was based on a formula which required determination of:

a) the number of car-miles of approved passenger service to be operated under contract to the State; and

b) the total appropriation for the year to carry out the State's program.

The total approved car-miles were divided into the appropriation to arrive at a subsidy payment per car-mile. This rate was then paid to each railroad operating in the State for the number of car-miles of approved service operated.

From July 1, 1964 through June 30, 1966, the State of New Jersey reimbursed the railroads for a portion of their fully distributed passenger net railway operating deficit. The payment was made to offset a part of the loss experienced by the railroad from operating passenger service in New Jersey. Passenger revenues and expenses generated in New Jersey were developed using each Railroad's Annual Reports to the Interstate Commerce Commission, and formulas developed by the State.

Ammendments to the rail subsidy legislation passed in 1964 allowed contract clauses for subsidy contracts to vary with the carrier to take into account the cost of operation peculiar to each carrier's plant, territory, and investment, as well as the quantity of service it operated.

During the period from July 1, 1966 through December 31, 1972, the State of New Jersey reimbursed railroads for their net avoidable deficit from operations of suburban passenger service. The payment in each year was based on a determination of avoidable costs and revenues for the most recent available calendar year (namely, the calendar year preceding the fiscal year). An annual study was conducted by L.E. Peabody and Co. in conjunction with representatives of the railroads to develop the revenues, operating expenses, rents, and taxes which would not have been incurred if all passenger service on the railroad had not been operated for the calendar year in question.

Compensation covering the period from January 1, 1973 to the present has been affected by litigation, negotiations and other factors. The payments for the period January 1, 1973 through June 30, 1974 were maintained at the level agreed to in 1973 with allowance for increase in the major components of the cost. A joint analysis by L.E. Peabody and Co. and the CNJ showed revenues and subsidy exceeded operating costs, determined on a shared basis, before consideration of depreciation and return investment. For cost levels in effect for 1973, the passenger net operating deficit was determined by NJ DOT to be approximately $6,300,000 annually and was determined by CNJ at approximately $6,800,000 annually. Hence, the annual State of New Jersey payment as of the late spring/early summer 1973 ($7,918,000 annually) exceeded the net passenger deficit on a shared cost basis by from $1,100,000 to $1,600,000.

The July 1, 1974 supplemental agreement between the CNJ and the State of New Jersey was negotiated under crisis conditions wherein cessation of all operations was imminent. The agreement was negotiated as part of an overall package agreement between the State of New Jersey and the CNJ. This agreement included both operating subsidies and maintenance and improvement of the CNJ physical plant through rehabilitation contracts.

Penn Reading Shore Line - The subsidy payments for this line are currently derived on an avoidable cost basis, determined on the costs of the previous year.

Erie-Lackawanna - The subsidy is currently derived on avoidable costs, based on a current year basis.[98]

Penn Central - The subsidy is presently derived on a negotiated current cost basis. Through February 29, 1975, the negotiated fee to Penn Central was $941,666.66 per month. As of March 1, 1975 the subsidy became $1 million per month.[99]

Reading - no longer receiving funds. However, L.E. Peabody and Co., does determine avoidable costs and revenues at completion of operating year.

The annual contract with the Central Railroad of New Jersey has become a target of dispute. The CNJ management has not agreed that "avoidable cost" is a fair method of determining subsidy amounts, particularly on the issue of return on capital. The CNJ has protested the arrangement and disputes the calculations. The Federal Railroad Administration of the U.S. Department of Transportation was authorized by CNJ and NJ DOT to undertake an independent review of the contract to determine if CNJ was appropriately repaid for commuter deficits. The FRA review found the amount of payment was appropriate and made some procedural, operational, and management recommendations.

In recent years, the Central Railroad Company of New Jersey and the New Jersey State Department of Transportation have been

---

98. This contract, as are all contracts except Penn Central are subject to change based upon an end of year audit by Peat, Marwick & Mitchell, Inc.

99. Penn Central has no recourse for additional funds under their contract.

unable to agree on a fair and equitable passenger contract. Each contract in the last three years has been reluctantly accepted by one or both parties as a temporary one-year agreement, in the hope that a more equitable, longer term agreement would be reached. As the cost of passenger services and the level of subsidy rose rapidly, severe financial pressures on both sides have been contributory to a failure to agree on a satisfactory commuter contract.

In 1974, negotiations between the two parties were unsuccessful in resolving differences, and cessation of passenger services became a real possibility. However, under extreme pressures, both sides agreed to an extension of the 1973 contract with changes which eliminated some problems of interpretation on certain expense items. Additionally, the State has agreed, external to the operation contract, to finance rehabilitation of certain sections of the railroad which carry substantial passenger traffic.[100]

Phase A Recommendations

The Department is relying on the development of a bus services master plan by Wilbur Smith Associates to provide 1) information on rider characteristics for bus route areas, and 2) the Statewide information base upon which an effecitve monitoring system of the State bus industry could be established. As detailed in the

---

100. Letter to Commissioner, NJ DOT from Asaph H. Hall, Deputy Administrator, Federal Railroad Administration dated April 4, 1975.

"Interim Report: Overview and Policy Alternatives on Transportation in New Jersey" (January, 1973), the consultant report will contain policy statements, inventory of bus carriers as to routes, corporate structure, financial data, charter and franchise rights, schedules and fares, equipment and physical facilities retrievable through electronic data processing procedures. The Report's "Phase A" is to make recommendations to make optimum use of available buses and supporting facilities. A second phase of the report, which should be available in early 1976, will make in-depth studies of several travel corridors or urban centers.

Phase A, Public Transportation Study Action Plan, released on May 15, 1975, adds a number of valuable pieces of knowledge about the state of the bus industry in New Jersey. It's limitations are that its data is based upon 1971 statistics that have not been updated, and all of its recommendations are aimed at the short-run, to be implemented in a twelve month period. The recommendations are the products of serious study and many, if not all, of them deserve implementation. The recommendations are:

1. Consolidation of present PUC regulatory functions and personnel into the DOT.

2. A statewide public transit information and promotion bureau should be established in DOT.

3. Subsidized companies should be required to have mandatory arbitration clauses in labor agreements.

4. Regional planning should be coordinated with the DOT receiving formal inputs to effect planned extensions or alterations of public transit services.

5. The essential elements of "essential public transit services" should be identified and priorities established.

6. Subsidies should be evaluated in light of priorities established as a part of #5.

7. Route supervision of small bus companies should be monitored by DOT.

8. New concepts to promote bus service in urban areas in the evening should be established, especially a "cluster service concept" in the Newark Area.

9. Some duplication of service between IBOAs and TNJ in Newark should be eliminated in light of the independent owners' willingness to sell franchises.

10. Proposals for express bus service on I-280 should be explored.

11. The Park and Ride program should be expanded.

Implementation of these recommendations would correct many of the present program deficiencies.

Proposed PUC Merger

An informal agreement has been reached between the New Jersey Department of Transportation and Department of Public Utilities which would give the DOT jurisdiction in all transit matters. The plan, requiring new legislation, would transfer the functions and activities of the Bureau of Rail and Motor Carriers of the Department of Public Utilities to the purview of the Department of Transportation. (See Appendix B for full discussions of PUC responsibilities). The status of charter bus operations and the

public carrier accounting function on the DPU is still unclarified. According to DOT sources, the target date for completion of the transfer has been pushed back, from earlier estimates, to a date in FY 1977. No dollar figures in increased costs to the DOT are available.

Each agency currently employs a staff of inspectors - DPU staff are responsible for inspection for equipment, maintenance and safety compliance with regulations and insurance certification, DOT staff inspect operations of carriers under State contract for compliance with specifications concerning routes, fares, driver attitudes, on-time performance, and any other aspect of the contract. The proposed merger would combine these functions in one central State agency. According to the Assistant Commissioner for Public Transportation, "We can eliminate some of the delays and some of the working at cross-ends."

It is recommended that the proposed transfer of the Public Utilities Commission Bureau of Bus and Rail Carriers into the Department of Transportation, Division of Commuter Services be quickly concluded to consolidate all State regulatory powers over bus and rail carriers.

County Fiscal Participation

The original law that provided for the payment of subsidies to bus companies, Chapter 134 of the Laws of 1969, contained the following Section 5.

"Any contract authorized by the provisions of this act shall be approved by and entered into by the commuter operating agency of the department. No such contract shall remain in force and effect for more than 30 days unless prior thereto the county or counties or public agency thereof in which such essential services are being provided shall have entered into an agreement with the department to reimburse the department for not less than 25% of the cost of providing such passenger service. Counties are hereby authorized to enter into such agreements with the department for the purpose of preserving essential bus or transit services."

Chapter 100 of the Laws of 1972 amended the above Section 5 by eliminating the sentence "No such contract shall remain in force and effect for more than 30 days unless prior thereto the county or counties or public agency thereof in which such essential services are being provided shall have entered into an agreement with the department to reimburse the department for not less than 25% of the cost of providing such passenger service", and substituting the sentence "As a condition for entering into an agreement authorized by the provisions of this act. The department may require the county or counties or public agency thereof in which such essential services are to be provided to enter into an agreement to reimburse the department for not less than 25% of the cost of providing such passenger service."

This meant that all bus subsidy agreements entered into before July 18, 1972, the date on which Chapter 100 of the Laws of 1972 was amended had to provide for 25% participation by the county or

counties served in the subsidy but after that date it became the option of the Department whether the county or counties served would participate. This occurred because the department had an especially difficult time in getting Essex and Hudson counties to participate in paying bus subsidies.[101]

Later that year, on August 16, 1972, Chapter 125 of the Laws of 1972 was approved by the Governor providing $750,000 for the PATCO Feeder Bus Service without any provision for county participation. This procedure was followed in subsequent laws that continued the subsidy for the PATCO Feeder Bus Service such as Chapter 55 of the Laws of 1973 and Chapter 245 of the Laws of 1973.

> **Finding 15. All counties with the exception of Mercer have not been cooperative in paying the 25% share of subsidy for all subsidized bus carriers operating in their county.**

Some counties have paid all or part of the 25% share of subsidy for some companies operating within their county in some years. A history of county dollar share is shown in Appendix A.

The case of Mercer Metro, the only public carrier in a program aimed at private carriers, deserves attention here. Mercer Metro is operated by the Mercer County Improvement Authority. For FY 1971-1974, Mercer County made payments to cover Mercer Metro's operating deficits which were not credited to the county as county subsidy participation, as follows:

---

101. Department Memo to Director of Commuter Operations, 3/11/75.

	Total Subsidy	State Subsidy	County Subsidy
FY 1971	$ 585,500	100,000	485,500
FY 1972	818,400	100,000	718,400
FY 1973	960,600	100,000	860,600
FY 1974	1,270,475	150,000	1,120,475

Finding 16. **Mercer County has paid up to 88% of the total operating subsidy for Mercer Metro bus service.**

County planning officials have expressed the desire to be included in route planning, abandonment and modification decisions, since they contribute a share of subsidy. In some counties, there is strong public resentment to subsidizing inter-state bus lines. These counties have taken the stance of only subsidizing intra-county, or local service. A NJ DOT formula has been developed, but not yet accepted, for allocating costs among contiguous counties which share the service(s) of one or more routes or companies. This is in part due to a lack of data on ridership and revenue by route, and origin-destination information, which is needed to develop such a formula.

As of early summer, county officials were receiving notification of the expected county share of subsidy for carriers operating within their county, with the TNJ share excluded. Some counties have opposed contributing their share as determined by NJ DOT.

In light of the recent fiscal crisis which forced the COA to develop a FY 1975-76 program of Statewide service reductions and discontinuances, county contributions to the subsidy program take on increasing importance. The DOT planned to bill counties $8 million this year, which past experience has shown to be grossly optimistic, to help continue the subsidy program. Of the $1.3 million billed to the counties for fiscal 1975, approximately $400,000 has been received thus far.[102]

It is recommended that the Legislature consider authorizing a mechanism for NJ DOT to enforce county participation in the financing of bus subsidies. One method which may be appropriate would be to allow debits against county aid disbursements.

---

102. NJ DOT, Status of COA Service Contract Program, Prepared for Joint Legislative Committee, 11/15/75.

Return on Investment, Depreciation

The subsidy contracts provide for payment to the carriers of the difference between revenues and expenses, and allow for a 6% annual return on investment, up to a designated ceiling.

> Finding 17. The legislation authorizing bus operating subsidies specifies that operating losses and a 6% return on investment may be paid. The NJ DOT contract process establishes annual dollar ceilings. Bus company operating losses have risen greater than estimates in every year to the extent that contract ceilings have not permitted any amounts toward a return on investment for the bus companies.

This is symptomatic of a declining industry, for the practice of receiving a return on investment is a basic tenet of healthy business practice.[103]

Another common business practice of a profit-making industry is the depreciation of assets; in the case of the bus industry, buses are the primary asset to be depreciated.

The NJ DOT has developed a capital program for bus replacement, which may be considered a substitute method financing new equipment. With State funds limited, the NJ DOT has eliminated the allowance for depreciation from allowable contract costs. However, some of this equipment is remodeled buses, which have specialized maintenance requirements.

County officials and bus operators who have received State-leased ($1/yr.) buses revealed that this equipment is prone to breakdown and requires a great deal of maintenance. Not all of the subsidized carriers have participated in the leasing program, but they are all using equipment much older than the optimal age, which greatly

---

103. Note: None of the bus companies have been able to pay dividends to stockholders for several years.

increases their maintenance costs and loss figures.

> Finding 18. The NJ DOT contract process had disallowed any claims by bus companies for depreciation of equipment. The NJ DOT has a bus leasing program which is designed to provide new and reconditioned equipment. While the subsidized carriers do not receive a depreciation expense, the bus leasing program does not offset this cost because it applies to non-subsidized carriers and is not related to the needs of any one carrier.

It is recommended that the Department reinstate the depreciation allowance as an allowable cost in subsidy contracts, and this cost be modified by the value of any equipment made available through the State bus leasing program.

Bus Feeder Response

The TNJ bus feeder system to PATCO stations in Southern New Jersey comprises the largest component of the Statewide subsidy program, and was the subject of an in-depth study by the Office of Fiscal Affairs in FY 1974 (see Southwestern New Jersey Bus Feeder Subsidy Program Analysis, February, 1974). While the report was written at a time when this subsidy had a separate appropriation and statutory legislation, there are findings and recommendations that merit departmental review in advance of the corridor study to be completed in 1976. The NJ DOT argues that the Lindenwold Line has very limited peak-hour capacity and therefore no changes are warranted in the bus feeder routes. However, the major thrust of the program analysis was to improve the ridership of feeder buses by present Lindenwold Line riders.

The following conditions were noted:

1) Parking at PATCO stations operates at near capacity (8800 vehicles).

2) Traffic congestion at stations is of concern to local officials.

3) Riders using feeder buses to go to the PATCO stations amounted to 8% of total bus riders in the feeder system (for the one month studied), and 4% of the total rides, indicating most feeder bus ridership is local in nature.

4) Some 1200 of 1900 questionnaire respondents using auto transportation to PATCO stations indicated they would switch to feeder bus service if it was available.

5) About 900 people indicated that the lack of an available stop was the main reason for not using the feeder bus.

6) Lindenwold Line riders using auto to get to the stations predominantly reside in nine townships currently served by bus feeder routes, as indicated by the questionnaire response.

Further inquiry into the reasons why bus routes were not bringing these people into PATCO stations showed that the bus feeder routes were the result of adjusting pre-existing routes to terminate at a PATCO station. One study to properly design feeder routes was termed "inappropriate and not practical" by the former Chief of the Bus Bureau. As far as OFA analysts could ascertain, no other study or documentation of planning activity was indicated or undertaken.

The bus feeder routes have shown some increasing monthly patronage in the period since they were implemented, but the continually

increasing subsidy indicates that these routes are poor performers in the areas of ridership levels and revenues. Some minimal route redesign has the potential to attract commuters and reduce parking demand at the stations. A complete copy of the OFA survey and questionnaire analysis was transmitted to NJ DOT in 1974, along with memos indicating which townships may merit increased service or route redesign.

Service changes to increase feeder bus use is not a long-run problem, but is worthy of some immediate study, implementation, and promotional activity.

> Finding 19. The NJ DOT has not taken any action to comply with the findings and recommendations of the OFA Program Analysis of the Southwestern New Jersey Bus Feeder System issued in April, 1974.

It is recommended that the NJ DOT revise bus feeder routing and direct promotional efforts to develop bus feeder patronage as outlined in the OFA Program Analysis.

Equipment Leasing Companies

Many subsidized bus companies, lacking their own equipment, lease buses and maintenance machinery from realty companies, transportation equipment companies, or other unsubsidized operating companies (see Appendix G). In the case of a holding company which leases equipment to a State-subsidized subsidiary company, questions may arise in a contract audit concerning the allocation of expenses among companies. Such a condition is clearly in violation of legislative intent.

Finding 20. Subsidized bus carriers may be distinct corporations, separate from corporations that own the buses used or the terminal facilities. These affiliated corporations are not subject to audit by the NJ DOT. This limitation in fiscal oversight is responsible for lack of full information on costs experienced by subsidized bus carriers.

It is recommended that the Legislature consider a legal requirement for all corporations supplying goods or services to bus companies cooperate with NJ DOT audit and subsidy application review processes.

Crisis Administration

The operating subsidy program has responded to large increases in operations costs with larger State participation. This constant revision of contract amounts, requesting supplemental appropriations, and coordinating Federal aid requirements has pushed the Division of Commuter Operations into a constant "crisis management" situation. The Director of the Division of Commuter Services said in June, 1975 that planned activities constitute only about 2% of the agency's effort while 98% is reactive. The two major reasons for this are 1) lack of qualified staff, and 2) absence of a definite program statement to provide activity focus.[104]

The Director has a daily check list of "crisis items;" one of his first activities each day is to check on each item to be aware of daily status and to exert maximum pressure on the staff for accomplishment. No important deadline has been missed (Federal grant application deadlines, bus contract dates). The "crisis pending folder" has each crisis identified and separated with the pressure turned on to meet deadlines.[105]

---

104. Meeting with Director of Commuter Operations, DOT 6/9/75.
105. Ibid.

While the Public Transportation Section has been constantly preoccupied with contract processing and funding issues in a crisis mode, it must be noted that the Department as a whole has considerable manpower resources. Support from other areas of the Department should be available to relieve this crisis operation.

Manpower Issues

From 1970, and the initiation of the bus subsidy program, to 1973, the Division of Commuter Operations reduced the number of staff, while the subsidy program continued to expand. Most of the employees in the Division of Commuter Services were on temporary status in 1970. The Department attracted specialists to perform jobs that did not correspond with the budgeted permanent position titles. In 1972, the Bus Operations Bureau had 5 analysts and no bus inspectors; thus, there was no one to assign inventory and inspection tasks, although this was the bulk of the work within the Bureau.[106]

During the period 1972-1974, the Bus Bureau staff essentially consisted of the Bureau chief, his secretary, and a few bus inspectors, one assigned to sole responsibility for monitoring the South Jersey feeder bus contract requirements. At that time, the Bureau Chief complained that the Department did not have the manpower to perform simple analysis: extracting information from the subsidized carriers on ridership, revenue, and cost per route.[107]

---

106. Meeting with Assistant Commissioner for Public Transportation, 7/12/73.

107. Meeting with Bus Bureau Chief, 7/7/73.

Most communication on contracts between the Bureau and the carriers was by phone or an occasional letter. Thus, despite the existence of criteria for determining "essential" routes to be preserved, the Bureau had neither the staff nor the data to determine route costs, ridership, and revenue, alternative transportation costs, the availability of alternative transportation to substitute for curtailed or discontinued service, or the potential impact of discontinued or curtailed service on State and local population trends, economic values, and tax revenues. See Exhibit 4-B for the detail of positions and administrative costs by fiscal year.

Finding 21. NJ DOT has provided a low level of staff resources for public transportation programs over the past six fiscal years, with authorized positions devoted to public transportation ranging from .5% - 1% of total authorized departmental positions.

It is recommended that NJ DOT redistribute authorized positions so that the staff and resources assigned will be adequate to implement the NJ DOT objectives for Statewide bus and rail services.

Exhibit 4-B

MANPOWER ASSIGNED TO PUBLIC TRANSPORTATION
FY 1970-1976

1	2	3	4	5	6	7
FY	Public Transportation Positions*	Total Department Authorized Positions	Public Transportation Payroll Expenditures*	Department Payroll Expenditures (000's)[A]	2/3 x 100 (%)	4/5 x 100 (%)
1970	28	5546	350,076	44,588	0.5	0.78
1971	32	5422	401,800	48,892	0.6	0.82
1972	32	5426	440,729	51,340	0.6	0.86
1973	32	5310	452,398	51,589	0.6	0.88
1974	29	5235	559,471	57,893	0.6	0.97
1975	56	5365	500,736	61,990	1.0	0.81
1976		5122		56,630		

* Personnel working in program element Public Transportation Systems. Other related personnel not included would be planning support and audit staff. Addition to this column of related personnel do not appreciably change colums 6 or 7.

[A] Total payroll expenditures, includes an average of 300 temporary positions per year, overtime paid, a one-year absorption of cost-of-living increments, sick leave paid at retirement and summer help salaries.

Sources: Governor's Annual Budget Messages; NJ DOT Budget Office.

CHAPTER FIVE: ALTERNATIVES FOR SUBSIDY PROGRAM

The bus subsidy program has been contract-oriented rather than passenger-oriented, expanding rapidly in size, trying to deal with preserving privately-owned but financially unsound bus operators and awaiting forumulation of long-range goals. This chapter will survey alternatives to the present program and describe their dimensions. Any set of alternatives which attracts legislative attention could subsequently be developed in fuller detail. This chapter assumes that the Federal take-over of railroads eliminates State initiatives in rail subsidies.

The most appropriate alternative actions include the following:[108]

1. Subsidy distribution by formula with some performance incentives.
2. Decentralization of subsidies for County or Regional administration.
3. Phase out of subsidies over limited term.
4. A coordinated transit system with major local transit authority held by counties supervised by comprehensive regional planning agencies.

Incentive Formula Subsidies

Westchester County, New York subsidizes bus operations with a formula that is computed as follows: to annual operating ex-

---

108. Other possibilities are outlined in "Appendix F: Additional Policy Alternatives."

penses add a 6% management fee, then deduct revenues; then multiply by 90% and add a per passenger bonus (based on a floating scale).[109] This formula guarantees 90% of deficits will be met and that a chance exists to reach "break-even" or make a modest profit based upon the number of passengers carried. It requires some management attention to passengers.

The adoption of the Westchester County incentive formula would increase the amount of subsidy paid to New Jersey carriers primarily because no management fee is paid. The application of the formula to TNJ for calendar 1974 illustrates the effect. For 1974 TNJ absorbed a deficit of $903,000 because the subsidy ceiling was exceeded by the actual deficit. As Exhibit 5-A shows, the formula, without a per passenger scale applied, changes the TNJ position from a deficit of $903,000 to a net revenue position of $3,527,000.

The use of such a formula requires additional controls to insure that any surplus over expenses realized through subsidy would be applied to improve transit services and equipment. This different position could fund company studies of routes, promotion and marketing ventures, and minor equipment modifications. It offers the possibility of breaking the cumulative effects of deficit operations and gives private companies some flexibility to attract

---

109. From interview with Jenny Leary, former Westchester County Commissioner of Transportation, August 7, 1975.

Exhibit 5-A: Application of the Westchester County Incentive Formula To Calendar 1974 TNJ Subsidy

	1974 Actual*	
Revenues	$73,087,000	
Expenses	82,216,000	
Sub-Total	-9,129,000	
1974 Subsidy	8,226,000	- Actual State subsidy
Net Loss	$ 903,000	

Formula Applied to 1974

Expenses	$82,216,000	
6% Management Fee	4,933,000	
Sub-Total	87,149,000	
Subtract Revenues	73,087,000	
Sub-Total	14,062,000	
90% of Cal. Deficit	12,656,000	- State subsidy under formula
Net Revenues	3,527,000	

*Data supplied by NJ DOT.

customers and improve productivity to combat rising costs. It would keep private companies solvent and could postpone the point of decision where State takeover and management must be seriously studied.

Other types of formulas exist pegged to one or more performance characteristics. Formulas may base subsidies on passenger miles, or hours of operation etc. New Jersey has an unusual mix of service, any such formula would have to be evaluated for bias against urban or long suburban runs.

Decentralizing Bus Services for County or Regional Operation

The State could delegate the major responsibility for determining essential services and subsidy amounts to the county level of government or some new regional district level. In this arrangement, the State would monitor programs and provide funds for distribution. Responsibilities to determine amount of service, schedules, route runs, allocation and amount of subsidy would be made by another level more involved with local transportation services. This scheme would shift the major administrative responsibilities away from the State. New York State subsidizes bus transit through counties or county authorities. Connecticut has transportation districts which separately contract with private bus carriers for service within the district.

The restructuring of this program would have the advantage of clearly defining the roles of State and local governments in bus services planning. The State could still require performance reports or divide bus services to regulate interstate and interdistrict services and/or concentrate on coordinating connections between the different types of bus and transit services. This more limited role would be suited to the manpower available for public transportation within NJ DOT.

Phase Out of Subsidies Over a Limited Term

If the goal of preserving private management of bus carriers is to have priority, it could be determined that the purpose of an operating subsidy program would be to restore the viability of bus companies. With this goal, a definite time frame would be established to end State financial assistance. The program would be detailed with objectives for each bus carrier to develop with State assistance a modern fleet of equipment (geared to average age of fleet), management development and training to establish minimum standards for route supervisors, maintenance foremen and executives, establishment of minimum promotion and marketing programs, and State-financed installation of sophisticated (computerized) planning and operations monitoring systems.

The State program could be planned to gradually build up State assistance to reward companies for achieving self-improvement

goals, or could be planned to diminish State operating assistance after a large initial investment. The program has to be directed at raising company levels of operations competence and investment in operating equipment. Both aspects have to be strengthened to eliminate the cycle of cost reductions that eliminates route and scheduling studies to increase patronage and brings vehicle maintenance to the minimum required to keep services operating. Some further State legislation may be necessary and desirable to make automobile ownership and use less desirable. In the range of ten years or more, bus companies may again become self-sufficient, or at least able to increase patronage and productivity to match future rises in operating costs.

County Bus Operations Supervised by Regional Planning Authorities

Mercer County has shown through its operation of Mercer Metro that counties can take on operational and funding responsibilities for bus transportation. Transit authorities at the county levels could take over the major bus operations' responsibility and their operations could be monitored by the appropriate comprehensive regional planning agency. The RPA would dewelop funding priorities for all mass transit operations, bus, rail, light rail transit and rapid transit and direct capital spending priorities for intercounty transit modes.

The RPCs have the mechanism to coordinate the regional perspectives of State and local governments and have been the sponsor of developing county transportation planning and monitoring capabilities. The RPCs now make priorities and plans in all areas of social, economic and land use decisions. Placing these agencies with implementation powers might be the best way to integrate mass transit considerations into the context of overall regional development. Revenues from the various transportation authorities in the region would be channeled in regard to regional transportation priorities. This distribution of responsibilities would limit the NJ DOT involvement in public transportation to research and planning functions, or perhaps to a monitoring and service agency for the various bus and rail service regions.

The approach of this recommendation follows the thrust of recommendations made by the Advisory Commission on Intergovernmental Relations in its December, 1974 Report, Toward A More Balanced Transportation. The Commission favors strengthening area-wide transportation planning and decision-making by linking regional planning and transit operations bodies. The report also suggests that local officials have direct input into the decisions affecting transportation. The RPC governing bodies have such local voting representation. A major advantage of

this structure would be that transportation decisions would be made by a body that could review priorities between all transportation modes and resolve any inconsistencies. The RPC would also have the power to divert surplus revenues from highway authorities into mass transportation operations. The Commission strongly urged that all resources be pooled for intermodal priority decisions and found that highway authorities need to become part of the process that recognizes local government input to regional transportation resources and operations decisions.

APPENDIX A

State and County Participation in New Jersey's Bus Subsidy Program for Fiscal Years 1970-1975

APPENDIX A

In FY 1970, six carriers were subsidized as follows:

		Total Subsidy	State Subsidy	County Subsidy
Atlantic City Transportation Co.	(1)	$221,666	$166,250	$55,416
Coast Cities Coaches	(2)	52,996	39,747	13,249
Marathon Bus Lines	(3)	5,557	4,157.75	1,399.25
Mercer Metro	(4)	124,999	124,999	--
Newark City Subway	(5)	41,666.65	31,250	10,416.65
Summit-New Providence	(6)	24,615	18,461	6,154
Sub Total		$471,499.65	$384,864.75	$86,634.90
Service was also restored on:				
Morris County 10-72	(7)	$11,525.14	$ 8,643.85	$ 2,881.29
Orange-Montclair 64-76	(8)	48,358.15	36,263.63	12,094.52
Sub Total		$59.883.29	$44,907.48	$14,975.81
Total		$531,382.94	$429,772.23	$101,610.71

(1) 8/25/69 - 6/30/70
(2) 12/15/69 - 6/30/70
(3) 4/1/70 - 6/30/70
(4) 12/1/69 - 6/30/70
(5) 1/1/70 - 6/30/70
(6) 11/1/69 - 6/30/70
(7) 2/9/70 - 6/30/70
(8) 11/3/69 - 6/30/70

By FY 1971, the number of carriers receiving a subsidy had doubled to twelve, receiving subsidy as follows:

		Total Subsidy	State Subsidy	County Subsidy
Atlantic City Transportation Co.		$232,000	$174,000	$ 58,000
Boro Buses Co.	(1)	48,885.47	36,664.10	12,221.37
Coast Cities Coaches		110,690	83,017.50	27,672.50
Community Bus Lines	(2)	120,000	90,000	30,000
Garfield-Passaic Bus Co.	(3)	26,159	19,619.25	6,539.75
Garfield and Passaic Transit	(3)	16,000	12,000	4,000
Inter-City Lines	(2)	200,000	150,000	50,000
Marathon Bus Lines		50,000	37,500	12,500
Mercer Metro		100,000	100,000	(485,500)
Newark City Subway		100,000	75,000	25,000
Plainfield Transit		23,811	17,858.25	5,952.75
Summit-New Providence		46,721.12	35,040.84	11,680.28
Sub Total		$1,074,266.59	$830,699.94	$243,566.65

Restored service was subsidized as follows:

Morris County 10-72		$47,477.46	$35,608.10	$11,869.36
Orange-Montclair 64		37,729.22	28,296.92	9,432.30
Sub Total		$85,206.68	$63,905.02	$21,301.66
Total		$1,159,473.27	$894,604.96	$264,868.31

(1) 2/1/71 - 6/30/71
(2) 10/1/70 - 6/30/71
(3) 3/1/71 - 6/30/71

The number of carriers receiving subsidy did not significantly increase in FY 1972; however, in addition to payments for restored services, two demonstration projects received State funds. Also, the amount of subsidy to carriers remaining in the program increased significantly, as follows:

	Total Subsidy	State Subsidy	County Subsidy
Atlantic City Transportation Co.	$ 270,306.06	$ 202,729.55	$ 67,576.51
Associated Bus Co.	51,710	38,783	12,927
Boro Buses	144,873.47	108,655.10	36,218.37
Coast Cities Coaches	141,848.07	106,386.05	35,462.02
Community Bus Lines	129,000	96,750	32,250
Garfield-Passaic Bus Co.	31,000	23,250	7,750
Garfield and Passaic Transit Co.	68,000	51,000	17,000
Inter-City Lines	303,883	303,883	--
Marathon Bus Lines	44,927	33,713.25	11,213.75
Mercer Metro	100,000	100,000	(718,400)
Newark City Subway (1)	147,511	110,633.25	36,877.75
Passaic-Athenia Bus Co.	20,200	15,150	5,050
Plainfield Transit	27,641	20,730.75	6,910.25
Summit-New Providence Bus Line	46,991.12	35,243.34	11,747.78
Sub Total	$1,527,890.72	$1,246,907.29	$280,983.43

(1) 75-day strike

		Total Subsidy	State Subsidy	County Subsidy
Restored Services:				
Morris County 10-72		$44,490.51	$33,367.88	$11,122.63
Orange-Montclair 64	(2)	25,353.11	19,014.83	6,338.28
		$69,843.62	$52,382.71	$17,460.91
Demonstration Projects:				
Bergen Cross County B2	(1)	$71,084.28	$35,542.14	$35,542.14
Mays Landing A1	(3)	4,063.83	2,031.92	2,031.91
		$75,148.11	$37,574.06	$37,574.05
Total		$1,672,882.45	$1,336,864.06	$336,018.39

The carriers and amounts for FY 1973 are as follows:

Atlantic City Transportation Co.	$350,000	$262,500	$87,500
Associated Bus. Co.	79,000	59,250	19,750
Asbury Park-NY Transit	90,000	90,000	--
Amboy Coach	39,660	39,660	--
Brigantine	3,000	2,250	750
Boro Buses	176,000	132,000	44,000
Coast Cities Coaches	180,000	135,000	45,000
Community Bus Lines	154,000	115,500	38,500
Garfield and Passaic Transit	88,781	66,586	22,195

(1) 75-day strike
(2) 55-day strike
(3) Started 4/72

	Total Subsidy	State Subsidy	County Subsidy
Garfield-Passaic Bus Co.	$ 37,000	$ 27,750	$ 9,250
Garden State Coachways	27,600	20,700	6,900
Jersey Bus Co.	120,000	90,000	30,000
Marathon Bus Lines	68,000	51,000	17,000
Mercer Metro	100,000	100,000	(860,600)
Newark City Subway(TNJ)	176,000	132,000	44,000
Plainfield Transit	36,568	27,426	9,142
Passaic-Athenia Bus Co.	75,000	56,250	18,750
Rockland Coaches	6,000	3,000	3,000
Somerset Bus Co.	46,115	46,115	--
Trackless Transit and Mountain Coaches	139,750	104,813	34,937
Transport of NJ B-72 Bergen	100,000	75,000	25,000
TNJ (PATCO Feeder Bus)	2,000,000	2,000,000	--
Watchung Mountain Transit	67,250	50,438	16,812
Sub Total	$4,159,724	$3,687,238	$472,486
Demonstration Projects;			
TNJ Bergen County	$94,000	$47,000	$47,000
ACTC Mays Landing	4,500	2,250	2,250
Sub Total	$98,500	$49,250	$49,250
Total	$4,258,224	$3,736,488	$521,736

Costs and carriers in the subsidy program continued to increase in FY 1974, as the following figures show:

	Total Subsidy	State Subsidy	County Subsidy
Atlantic City Transportation Co.	$572,000	$429,000	$143,000
Asbury Park-NY Transit	150,000	150,000	--
Associated Bus Co.	129,355	98,105	31,250
Albert Bauer	32,354	24,265	8,089
Boro Buses Co.	266,640	204,140	62,500
Coast Cities Coaches	224,077.50	168,058.50	56,019
Community Bus Lines	190,000	142,500	47,500
Garden State Coachways	85,885	64,414	21,471
Garfield and Passaic Transit Co.	135,100	107,324	27,776
Garfield-Passaic Bus Co. (1)	50,000	37,500	12,500
Hudson Bus Transportation Co.	78,620	58,965	19,655
Jersey Bus Co.	180,000	135,000	45,000
Marathon Bus Line and Amboy Coach	182,000	146,750	35,250
Mercer Metro	150,000	150,000	(1,120,475)
NY-Keansburg-Long Branch Bus Co.	99,364	99,364	--
Passaic-Athenia Bus Co., Inc.	108,346	81,260	27,086
Plainfield Transit	58,891	44,168	14,723

---

(1) 7/1/73 - 12/31/73

		Total Subsidy	State Subsidy	County Subsidy
Rockland Coaches		$ 40,000	$ 27,500	$ 12,500
Somerset Bus		300,000	300,000	--
Trackless Transit, Inc. and Mountain Coaches		323,294	247,865	75,429
TNJ, Bergen Cross County		361,000	282,000	79,000
TNJ, Bergen County Lines (B-1, B-3, B-4, B-72, B-6)	(2)	236,000	?	?
TNJ, ECOM	(3)	15,000	15,000	--
TNJ, Newark City Subway		249,520	189,715	59,805
TNJ, PATCO Feeder Bus		3,000,000	3,000,000	--
TNJ, Middlesex Co.		196,400	196,400	--
TNJ, General Operations		4,600,000	4,600,000	--
Watchung Mountain Transit		68,021	51,016	17,005
Total		$12,081,867.50	$11,050,309.50*	$795,558*

For FY 1975, the subsidy program developed as follows:

Atlantic City Transportation Co.		$685,490	$514,115	$171,375
Asbury Park-NY Transit		553,399	415,049	138,350
Associated Bus		229,902	172,426	57,476

---

(2) Added in FY 1974. No figures available on breakdown between State and County. This figure was obtained from the NJ DOT 1973 Report of Operations.

(3) Monmouth, Burlington, Camden.

* These totals do not include the State or county share for TNJ Bergen County Lines (B-1, B-3, B-4, B-72, B-6). If you add $236,000 to $11,050,309.50 + $795,558, the total is $12,081,867.50

	Total Subsidy	State Subsidy	County Subsidy
Albert Bauer	5,954	?	?
Blue and White Bus Co.	48,795	36,596	12,199
Boro Buses	338,519	253,889	84,630
Coast Cities Coaches	287,338	215,503	71,835
Community Bus Lines	467,698	350,773	116,925
Garden State Coachways			
Salem	52,236	39,177	13,059
Cumberland	24,669	18,502	6,167
Garfield and Passaic Transit	179,133	134,350	44,783
Hudson Bus Transportation Co.	361,050	270,787	90,263
Jersey Bus Co.	260,752	195,564	65,188
Marathon Bus Line and Amboy Coach (Bayview)	336,943	252,707	84,236
Mercer Metro	1,818,021	1,363,516	454,505
NY-Keansburg-Long Branch Bus Co.	354,024	265,518	88,506
Passaic-Athenia Bus Co.	151,053	113,290	37,763
Plainfield Transit	78,931	59,199	19,732
Somerset Bus	1,035,861	776,896	258,965
Trackless Transit, Inc. and Mountain Coaches	636,291	477,218	159,073

APPENDIX B

Present PUC Responsibilities in Bus and Rail Transportation

	Total Subsidy	State Subsidy	County Subsidy
TNJ, Bergen Cross County	$525,000	$393,750	$131,250
TNJ, ECOM	27,900	20,925	6,975
TNJ, Newark Subway	316,220	237,165	79,055
TNJ, PATCO Feeder Bus	3,600,000	2,700,000	900,000
TNJ, Middlesex Co.	196,400	147,300	49,100
TNJ, General Operations	16,640,786	12,480,589	4,160,197
Watchung Mountain Transit	81,400	61,050	20,350
Total	$29,293,765	$21,965,854*	$7,321,957*

*Does not include State or county share of subsidy for Albert Bauer Bus Co.

Note: Companies not listed but also subsidized in 1975 include: 1) Boulevard; 2) DeCamp; 3) Drogin; 4) Graope; 5) Lincoln Transit; and 6) Maplewood Equipment Co.

Source: NJ DOT, Bureau of Bus Operations, Worksheets.

APPENDIX B

Present PUC Responsibilities in Bus and Rail Transportation

Present PUC Responsibilities

The New Jersey Board of Public Utility Commissioners (PUC) is presided over by three commissioners appointed by the Governor. It recently has been reorganized into three Divisions, each under the supervision of a Director. The three Divisions are:

1. Rates and Accounting.
2. Engineering and Energy Resources.
3. Common Carriers.

The Common Carrier Division of PUC is comprised of two Bureaus:

1. Household Movers and Refuse Disposal.
2. Rail and Motor Carriers.

The jurisdiction of the Rail and Motor Carriers Bureau covers:

a. Rail--Safety of track and equipment.

b. Bus--All aspects of operation: franchises, routes and service; equipment specifications; safety requirements and regulations; safety inspections of vehicles and shop (garage) machinery; maintenance of approved vehicles, and; inspection, and investigation of complaints and accidents.

Rates and finance are under the jurisdiction of the Rates and Accounting Division, which also is responsible for approval of transfers of ownership or control, mergers, consolidations, conditional sales agreements, insurance, and annual financial reports.

Areas of PUC Authority

The scope of authority of the New Jersey PUC is very broad regarding bus operation on regular routes between points in New Jersey. The PUC has no jurisdiction over school buses but was given control of intrastate charter bus operations in 1973. Interstate buses or operation of routes subsidized by the New Jersey DOT are also beyond the control of the PUC.

Its responsibility for equipment safety inspection and insurance certification, however, covers buses used on routes subsidized by the DOT, as well as those under its own jurisdiction. (Safety inspection of school buses, formerly under the PUC, has been transferred to the State Department of Education.)

The PUC exercises its initial authority over a bus company in many ways. The issuance of stocks or any bond, mortgage, conditional purchase agreements or other evidence of indebtedness must be approved by the Commission.

Transfer of controlling capital-stock interest in a transit compnay, as well as mergers and consolidations, require statements of the reason for the change as well as a listing of the proposed company directors and officers, together with their qualifications to provide the required service.

With its request for approval of a new route, or transfer or change of an existing one, a company must submit a street-by-street description of the route and a route map, the names of other bus lines or railroads operating in the service area; and operating restrictions, names of officers, owners or partners, and a statement of financial conditions and qualifications to operate and maintain the bus service.*

---

*Taken from Phase A op. cit. pp. 89-90

APPENDIX C

Analysis of 1968 Bond Issue

APPENDIX C

Analysis of 1968 Bond Issue
Appropriations and Expenditures as of 4-30-75

ERIE LACKAWANNA

		App. Ac. No.	Original Appropriation	Net Transfer	Total Commitments	Uncommitted Net Appropriation	Uncommitted State	Total Expenditures
C71003	New and Rehabilitated Equipment	630903771	8,400,000.00			8,400,000.00	8,400,000.00	
C71007	Station Improvements	630907771	2,000,000.00		177,510.00	1,822,490.00	1,822,490.00	69,923.94
C71011	Electrification Signals	630911771	12,000,000.00			12,000,000.00	12,000,000.00	
C70003	New Equipment	630903770	26,700,000.00	952,536.34cr	21,218,678.05	4,528,785.61	4,528,785.61	20,673,365.54
C70012	Station Improvements Lincoln Park	630912770	340,000.00	52,627.48cr	287,372.52			287,372.52
C70013	Station Improvements Oradell	630913770	100,000.00			100,000.00	100,000.00	
C70014	Station Improvements Morris Plains	630914770	375,000.00			375,000.00	375,000.00	
C70015	Station Improvements General Rehab.	630915770	3,000,000.00		1,753,780.00	1,246,220.00	1,246,220.00	1,160,576.85
C70016	Electric Signals	630916770	8,000,000.00		1,803,540.33	6,196,459.67	6,196,459.67	1,705,987.78
C70019	Row Improvement	630919770	6,400,000.00	3,000,000.00cr	80,540.00	3,319,460.00	3,319,460.00	9,274.38
C70020	Row Improvement	630920770	2,600,000.00			2,600,000.00	2,600,000.00	
C69976	Coaches	630976769	21,804,772.00	456,711.34	22,123,807.28	137,676.06	137,676.06	22,123,807.28
C69986	Improvement - Montclair Branch	630986769		150,000.00	150,000.00			106,681.92

Analysis of 1968 Bond Issue
Appropriations and Expenditures as of 4-30-75

ERIE LACKAWANNA
(continued)

	App. Ac. No.	Original Appropriation	Net Transfer	Total Commitments	Uncommitted Net Appropriation	Uncommitted State	Total Expenditures
C69987 Service Equipment	630987769		495,825.00	456,312.22	39,512.78	39,512.78	456,312.22
Totals		91,719,772.00	(2,902,627.48)	48,051,540.40	40,765,604.12		46,593,302.43
		↓ 88,817,144.52		↓ 88,817,144.52			

Analysis of 1968 Bond Issue
Appropriations and Expenditures as of 4-30-75

N.Y. LONG BRANCH

		App. Ac. No.	Original Appropriation	Net Transfer	Total Commitments	Uncommitted Net Appropriation	Uncommitted State	Total Expenditures
C71002	New Rehabilitated Equipment	630902771	4,000,000.00	912,950.07cr		3,087,049.93	3,087,049.93	
C71006	Station Improvements	630906771	3,500,000.00		802,294.00	2,697,706.00	2,697,706.00	646,806.81
C71009	Electrification Signals	630909771	5,200,000.00		24,484.56	5,175,515.44	5,175,515.44	24,484.56
C71013	Right Way Improvements	630913771	6,500,000.00	992,314.92cr	2,293,048.32	3,214,636.76	3,214,636.76	1,337,756.40
C70002	New Equipment	630902770	7,550,000.00	37,772.88cr		7,512,227.12	7,512,227.12	
C70010	Station Improvements	630910770	2,300,000.00	8.39	484,957.12	1,815,051.27	1,815,051.27	474,997.17
C70018	Electrification Signals	630918770	8,480,000.00		6,300.00	8,473,700.00	8,473,700.00	5,643.00
C70022	Row Improvement	630922770	4,430,000.00	9,450.00	3,508,127.00	931,323.00	931,323.00	3,075,941.46
Totals			41,960,000.00	(1,933,579.48)	7,119,211.00	32,907,209.52	32,907,209.52	5,565,629.40
			↓ 40,026,420.52			↓ 40,026,420.52		

Analysis of 1968 Bond Issue
Appropriations and Expenditures as of 4-30-75

CENTRAL R. R. of N.J.

		App. Ac. No.	Original Appropriation	Net Transfer	Total Commitments	Uncommitted Net Appropriation	Uncommitted State	Total Expenditures
C71004	New and Rehabilitated Equipment	630904771	6,700,000.00		5,075,381.44	1,624,618.56	1,624,618.56	4,610,090.07
C71010	Electric Signals	630910771	4,100,000.00		1,575,000.00	2,525,000.00	2,525,000.00	78,484.84
C71014	Right Way Improvement	630914771	2,500,000.00		1,250,000.00	1,250,000.00	1,250,000.00	1,237,460.11
C70004	New Equipment	630904770	8,900,000.00	2,823,619.12cr	6,031,139.23	45,241.65	45,241.65	3,216,081.25
C70011	Station Improvements	630911770	2,285,000.00		228,000.00	2,057,000.00	2,057,000.00	227,694.71
C70017	Electric Signals	630917770	2,720,000.00	1,800,000.00cr	55,204.24	864,795.76	864,795.76	55,204.24
C70021	Row Improvement	630921770	1,970,000.00	1,000,000.00cr	49,000.00	921,000.00	921,000.00	49,000.00
C69982	Equipment	630982769	608,342.00	545,000.00	1,114,094.82	39,247.18	39,247.18	1,114,094.82
Totals			29,783,342.00	(5,078,619.12)	15,377,819.73	9,326,903.15		10,588,110.04
			↓ 24,704,722.88		↓ 24,704,722.88			

Analysis of 1968 Bond Issue
Appropriations and Expenditures as of 4-30-75

PENN READING SHORE LINE

	App. Ac. No.	Original Appropriation	Net Transfer	Total Commitments	Uncommitted Net Appropriation	Uncommitted State	Total Expenditures
C70005 New Equipment	630905770	650,000.00	25,000.00	656,439.28	18,560.72	18,560.72	656,439.28

Analysis of 1968 Bond Issue
Appropriations and Expenditures as of 4-30-75

PENN CENTRAL

		App. Ac. No.	Original Appropriation	Net Transfer	Total Commitments	Uncommitted Net Appropriation	Uncommitted State	Total Expenditures
C71001	New and Rehabilitated Equipment	630901771	5,200,000.00	25,262,627	30,041,040.82	421,586.18	421,586.18	29,275,303.72
C71005	Station Improvements	630905771	4,900,000.00	2,521,947^{cr}	1,293,328.76	1,084,724.24	1,084,724.24	1,155,689.01
C71008	Electrification Signals Comm. Penn Cent.	630908771	800,000.00	800,000^{cr}				
C71012	Right Way Improvements Penn Central	630912771	2,000,000.00	2,000,000^{cr}				
C70001	New Equipment	630901770	2,600,000.00	2,585,000^{cr}	14,732.81	267.19	267.19	14,732.81
C70006	Station Improvements Trenton	630906770	1,000,000.00	1,413,000	2,288,563.81	124,436.19	124,436.19	2,244,939.88
C70007	Station Improvements Edison	630907770	4,000,000.00	4,000,000^{cr}				
C70008	Station Improvements Metuchen	630908770	150,000.00	1,276,053	330,607.00	1,095,446.00	1,095,446.00	230,413.98
C70009	Station Improvements Metro Park	630909770	150,000.00		128,033.83	21,966.17	21,966.17	126,011.83
C70024	Station Improvements Rahway	630924770		1,043,000	998,086.00	44,914.00	44,914.00	631,958.49
C69985	Coaches	630985769	1,927,490.00	146,800^{cr}	1,780,690.00			1,771,135.87
C69977	Metro Park	630977769	200,000.00		200,000.00			200,000.00

Analysis of 1968 Bond Issue
Appropriations and Expenditures as of 4-30-75

PENN CENTRAL
(continued)

	App. Ac. No.	Original Appropriation	Net Transfer	Total Commitments	Uncommitted Net Appropriation	Uncommitted State	Total Expenditures
C69983 Trenton Station Improvements	630983769	339,896.00	119,896.00cr	207,000.00	13,000.00	13,000.00	188,522.24
C69984 Metuchen Station	630984769	239,500.00	239,500.00cr				
Totals		23,506,886.00	16,581,537.00	37,282,083.03	2,806,339.97		35,838,707.83
		↓ 40,088,423		↓ 40,088,423			

Analysis of 1968 Bond Issue
Appropriations and Expenditures as of 4-30-75

BUS LINES

		App. Ac. No.	Original Appropriation	Net Transfer	Total Commitments	Uncommitted Net Appropriation	Uncommitted State	Total Expenditures
C71015	Bus Service Improvements	630915771	1,700,000.00	9,757,000.00	1,706,559.00	9,750,441.00	9,750,441.00	1,706,559.00
C71016	Bus Demonstration Projects-Dial-a-Ride	630916771		1,912,350.00	1,739,355.46	172,994.54	172,994.54	1,739,355.46
C71017	Mass Transportation Planning Studies	630900501	140,000.00	395,724.00	308,840.00	226,884.00	226,884.00	308,840.00
	Totals		1,840,000.00	12,065,074.00	3,754,754.46	10,150,319.54		3,754,754.46
				13,905,074		13,905,074		

Analysis of 1968 Bond Issue
Appropriations and Expenditures as of 4-30-75

MISCELLANEOUS NON-CATEGORICAL

		App. Ac. No.	Original Appropriation	Net Transfer	Total Commitments	Uncommitted Net Appropriation	Uncommitted State	Total Expenditures
C70023	Operator Costs and Interim Imp. Engr. Services	630923770	2,500,000.00	1,329,957.47cr	1,134,064.16	35,978.37	35,978.37	760,481.94
C69978	Engineering & Design	630978769	1,680,000.00	1,143,604.00cr	527,457.99	8,938.01	8,938.01	516,977.85
C69979	Operating Costs	630979769	200,000.00	200,000.00cr				
	Totals		4,380,000.00	(2,673,561.47)	1,661,522.15	44,916.38		1,277,459.79
				1,706,438.53		1,706,438.53		

APPENDIX D

Department of Transportation Administrative Directive

Transportation Research Council

DEPARTMENT OF TRANSPORTATION

ADMINISTRATIVE DIRECTIVE

No. 9.008-A
Page 1 of 2

SUBJECT	EFFECTIVE DATE	APPROVAL
TRANSPORTATION RESEARCH COUNCIL	4-2-75	Commissioner of Transportation

I. PURPOSE

To reorganize the Transportation Research Council and state its membership, objectives and functions.

II. SUPERSEDES

No. 9.008

III. MEMBERSHIP

A. Fixed Voting Members are:

- Director of Transportation Planning & Research (Chairman)
- Assistant Commissioner, Highways
- Assistant Commissioner, Public Transportation
- Deputy Commissioner of Transportation
- Director, Division of Aeronautics
- Director of Engineering & Operations (State Highway Engineer)

B. Fixed Non-Voting Members are:

- Director, Division of Research & Development (Secretary)
- Director of Fiscal Management
- Staff Assistant to the Director of Research & Development (Recording Secretary)

C. Variable Non-Voting Members are:

- Management personnel at or above the level of Bureau Chief at such times as they have an interest in the functions and/or objectives of this Council and have been requested to attend a Council meeting by a Fixed Voting Member of the Council.

IV. OBJECTIVE

To optimize the resources of the Division of Research and Development through the determination of research project priorities.

V. FUNCTIONS

A. Determine research project priorities for the Division of Research and Development.

B. Approve or disapprove the annual research work program of the Division of Research and Development.

C. Review, on a periodic basis, research projects of the Division of Research and Development to determine the feasibility of continuing or terminating each project.

D. Determine how the results of research should best be applied.

E. Assure the availability of funds for research projects. As appropriate:

- Approve or disapprove the use of funds available in the current research work program budget of the Division of Research and Development.
- Recommend approval of an intradepartmental transfer of funds necessary to finance a research project.
- Recommend approval of Non-State funding of a research project.

F. Approve or disapprove the inclusion of approved research projects into the current research work program of the Division of Research and Development.

G. Hold monthly meetings to conduct normal business. Call special meetings when deemed necessary.

EXHIBIT E

DEPARTMENT OF TRANSPORTATION

ADMINISTRATIVE DIRECTIVE

No. 9.011-A
Page 1 of 2

SUBJECT	EFFECTIVE DATE	APPROVAL
THE TRANSPORTATION PLANNING BOARD	5/20/75	Commissioner of Transportation

I. PURPOSE

To designate the Transportation Planning Board, state its membership, objectives and functions.

II. SUPERSEDES

No. 9.011

III. MEMBERSHIP

The Transportation Planning Board will have the following membership:

- Commissioner of Transportation (Chairman)
- Deputy Commissioner of Transportation
- Assistant Commissioner, Highways
- Assistant Commissioner, Public Transportation
- Director of Engineering & Operations
- Director of Transportation Planning and Research (Secretary)
- Director of Fiscal Management
- Director of Aeronautics

IV. OBJECTIVES

A. To assist the Commissioner of Transportation in the development, implementation, and monitoring of comprehensive transportation policies, plans, and programs for the State of New Jersey.

B. To maximize intermodal planning and design factors and to facilitate systems planning and development actions.

C. To engage in active strategic planning; to decide on the objectives of the NJDOT, and on changes in these objectives, and on the resources used to attain these objectives, and on the policies that are to govern the acquisition, use, and disposition of the resources involved.

D. To function as a central agency to stimulate NJDOT activities in planning and development actions; to foster maximum participation of all NJDOT employees; and to facilitate coordination and cooperation with other state and federal agencies including the private sector.

V. FUNCTIONS

A. Convene meetings, on a scheduled basis or on call of the Chairman, to review, develop, and initiate actions required for the implementation of comprehensive transportation policies, plans, and programs.

B. Appraise and review Departmental as well as Divisional financial needs on a continuing and timely basis.

C. Establish priorities for all major programs covering all modes of transportation.

D. Maintain liaison with: Federal Highway Administration, Federal Aviation Administration, Civil Aeronautics Board, National Transportation Board, Urban Mass Transportation Authority, Federal Railway Association, United States Railway Association, designated planning agencies, and relevant toll authorities for transit, highways, airports, and bridges.

E. Provide guidance and assistance as required by the major operating units of NJDOT in all matters of long-range and short-range planning.

F. Obtain, with unlimited authority, any information, data, facts, findings or recommendations from all NJDOT sections and functional areas.

APPENDIX F

Additional Policy Alternatives

APPENDIX F

Additional Policy Alternative

Five other possible subsidy-related policies have been mentioned, they include:

1. Regional Taxation for Mass Transit.
2. Complete User Borne Cost.
3. State Operation of Deficit Bus Services.
4. Operation of Regional Transit Systems by Port Authorities.
5. Mandatory Employer Transportation Responsibilities

A brief discussion of each alternative shows that the disadvantages are more substantial than those outline in Chapter Five.

Regional Transit Taxation

Sales taxes partially support Atlanta's Rapid Transit district and the Bay Area Rapid Transit in San Francisco. Other parts of the country allow property taxes or income taxes be dedicated for support of regional transit systems. The proposal would be difficult to contain to New Jersey because the major transit destinations are major cities in other states. Some proposals have been aired for regional system incorporating MTA in New York City and SEPTA in Philadelphia. The NJ DOT proposed a fuel tax increase and sales tax increase dedicated to financing mass transit in 1974.

Complete User Borne Cost

The costs of service to the user are reduced because of fare regulation and company subsidy. Instead of the General Treasury paying part of the cost, unrealistic services could be eliminated by allowing the full force of the economic laws of supply and demand to operate. Fares would rise and most service now provided would probably be eliminated if riders were unwilling to pay the direct cost of particular public transportation routes. The average cost of a bus ride on TNJ is $1.20. At fares reflecting real cost, the companies would be forced to provide route appraisals, market the service and quickly eliminate unprofitable runs. To implement this policy, State fare regulations would have to allow rapid rate changes. This system would not allow state mandated routes or schedules because companies

would be completely responsible for a route and fare structure that returns a profit.

State Operation of Deficit Bus Service

The deterioration of privately-owned bus services shows that subsidy is required to produce the service and low fares to maintain ridership. Private carriers have

1. let the capital resources erode;

2. have failed to cooperate to provide logical schedules and service; and

3. complete for routes that face declining profitability.

Other public conerns for conservation of energy and environment require levels of service not supportable out of current revenue structures.

The alternative is State acquisition and operation of bankrupt bus carriers. The objective would be to provide levels of coordinated service at fares designed to attract passengers. A centralized management would promote area-wide public transportation, allow alternative fare payment plans, provide route analysis services and be responsible to correct poor service conditions. The proposal would be expensive and represent a long-term commitment to operate bus services and develop rider densities through industrial location policy and a specific state land use plan.

Operation of Regional Transit Systems by Port Authorities

The most densely populated areas of New Jersey are within the boundaries of Port Districts, the Port Authority of New York and New Jersey in the Northeast corner of the State and the Delaware River Port Authority in the Camden-Philadelphia area. Both authorities operate public transit facilities, PATH and PATCO. Bus services in these regions could be assigned to these bodies for management and operations. Subsidy could be financed by the authorities or by State subsidy or by regional taxation.

The advantages are that operations would be managed by organizations with proven transportation planning and operations abilities

and without direct State intrusion into bus services administration. The problem of financing would remain, and legal battles would have to be settled before the resources of the existing authorities, they ar bi-state agencies, so that New York and Pennsylvania would have to give approval for such an allocation of responsibilities. Each State may wish the function extended into their major cities, involving SEPTA and MTA. New Jersey may not wish the authorities to have wider responsibilities in these major cities, particularly noting that their transportation problems are on a higher scale in terms of passenger volumes and deficit operations.

Mandatory Employer Transportation Responsibilities

The major trip purpose is the trip to (and from) work. The automobile has allowed employers to locate plants and offices with less regard for employee access to bus and rail facilities. A US DOT project is currently experimenting with a para-transit arrangement with certain large employers. The concept is to have the employer finance a series of vans which would operate as 8-10 person car pools with the passengers financing the gasoline and maintenance costs, and one member responsible for the garaging and driving of the vehicle.

Within certain limits, this could be an option to subsidizing bus company operations for small groups of people who have identical transit needs. Providing a vehicle available upon demand has advantages over subsidizing routes that fail to attract enough riders (to pay half of the operating costs.) If employers were required to provide transportation to reduce the number of automobiles parked at the firm, some mix of improved routes for buses, para-transit arrangements and car pools would serve to reduce auto dependence in the short-run and encourage location decisions in the long-run that would build population and trip densities to make bus service closer to break-even patronage.

APPENDIX G

Financially Assisted Bus Companies and Their Affiliates

APPENDIX G

Financially Assisted Bus Companies and Their Affiliates

COMPANY NAME	AFFILIATES	SCOPE OF OPERATIONS
Asbury Park-New York Transit	Asbury Park Bus Terminal	Management & bus rental company
	Rollo Transit Corp.	Rental of buses and drivers; repairs to Asbury Pk.-N.Y. transit buses; parking fees for use of Keyport Garage
	Coastal Cities Coach Co.	1 round trip per day; Pt.Pleasant-N.Y.C.
	Rollo Bus Terminal	Ticket sales for various bus companies
	Rollo Holding Corp.	Rental of land, building & equipment
	Rollo Post House	Restaurant at Keyport Terminal
Atlantic City Transp. Co.	Atlantic City Interstate Co.	Not active
Associated Bus Company	Evergreen Equipment Co.	Rental of buses to Associated
	Real Transit	Interstate bus operation, Blairstown N.J to New York City
Boro Busses Co.	Boro Auto Storage	Lease of garage to Boro Busses
	Russell Leasing Co.	Lease of cars for charter service employees and company manager
	Central Jersey Mack Sales	Supplies bus parts to company
	Boro Parcel Delivery	Inactive for past 15 years
Coast Cities Coaches	Ocean Grove Belt Line, Inc.	Summer route in Ocean Grove, N.J.
	Coast Cities School Buses Inc	School operations
	Coast Cities Cruisers	Charter & tour operations
	Coast Cities Internatl. Truck Sales & Services	Truck sales
	Charter Coach, Inc.	Charter
	Coast Cities Academy Trans.Inc	School
	Coast Cities Managemt. Corp.	Provides management serv. to affiliates
	Club Transportation Corp.	N.Y. Co's; family affiliation with Yonkers, New York operations of Dennis Gallagher
	Denepete Reality Corp.	
	Bronx Bus Corp.	
	Coast Cities Varsity Trans.Inc	School operations
	Coast Cities Student Trans. "	School Operations
Community Bus Lines	Tri County, Inc.	Rents garage to Community Bus Lines
	Community Coach, Inc.	Charter operations
	Tri County Bus Lines Inc.	School operations & factory service
	Congel, Inc.	Originally formed as holding company, this never occurred

*Middlesex Bus Company	Ambrose Bus Service, Inc.	Charter and school
Lincoln Transit Co. Inc.	See Manhattan Transit Co.	
Manhattan Transit Company	Westwood Trans. Lines. Inc.	Lease buses
	Mohawk Coach Lines, Inc.	ICC Operation
	Consolidated Terminal and Travel Bureau, Inc.	Broker for various New Jersey companies
	J.C.B. Investment Co.	Used to finance operations, inactive
	Westwood Transp. Company	Lease buses
	Manhattan Coach Line, Inc.	Lease buses
	Consolidated Shore Lines,Inc.	Summer Operation
	Ressac Holding Company	Corporation, owns building only
	Manhattan Travel Bur. Inc.	Park/ride operation on Turnpike
Somerset Bus Company	Somerset Service	Automobile service
	Somerset Noll Corp.	Lease buses
	Somerset Union Reality Corp.	Owns garages
Trackless Transit	Reliable Bus Company	Leases buses to Trackless, Etal
	White Bus Company	Leases buses to Trackless, Etal
	Urban Reality Co. Inc.	Leases garage to Trackless, Etal; Fu
New York-Keansburg-Long Branch Bus Company Inc.	M & G Bus Company	Hillside Route #22
	Tedesco Bus Company	Lease Buses
	Number 22 Bus Company	Hillside Rt. #22
	Consolidated Bus Co.	Lease buses
	Academy Tours & Travel Center	Charter and Tours
	McIntyre	Lease buses
Watchung Mt. Transit	Kent Bus Company	Bus parts, employee gas purchases, employee holiday gifts, employee benefit programs and loans
*Plainfield Transit	None	
Mercer Metro	None	
Garden State Coachways	None	

*Lee Jacobs and Sid Kuchin are common partners in Middlesex Bus Company, Plainfield Transit and Suburban Transit.

Jersey Bus Co. Inc.	Dover-Mt. Hope, Picatinney Bus Line	Line Operation
Garfield & Passaic Trans. Co.	Liberty Street Garage	Rental to company
	Transit Charter Service Inc.	Leases buses to company
	Garden State Transit Lines	Charter
Bayview Bus Company	Marathon Bus Line, Inc.	Charter
	Marathon Transit Company	Charter
	Amboy Coach, Inc.	PUC route operations
	Bayview Bus Line, Inc.	PUC route operations
	Joseph & Rita Bartlinski	Charter
Passaic Athenia Bus Co.	None	
Transport of New Jersey	None	
Baram/Rex	Hudson Bus Trans. Co.	Fuel, oil, repairs
	Hudson Improvement Co. Inc.	Garage facilities
	Garden State Leasing Co.Inc.	Leases for vehicles
	Parker Tours Co.	
Hudson Bus Trans. Co.	See Baram/Rex	
Drogin Bus	Consolidated Companies	

Source: DOT, Bureau of Marketing and Analysis, November, 1975.

APPENDIX H

Methodology

APPENDIX H

Methodology

Interviewed former New Jersey Commissioner of Transportation David Goldberg who initiated bus subsidy program.

Met with UMTA-DOT Regional Officials and gathered basic information on Federal grant programs.

Interviewed all bureau chiefs in Commuter Operating Division to ascertain organization, objectives and integration of activity.

Interviewed transportation planning directors to determine scope and priority of mass transit planning in New Jersey.

Interviewed transportation coordinators of comprehensive regional planning agencies.

Circularized county transportation advisory boards and interviewed officials in Essex, Hudson, Middlesex, Monmouth, Ocean, Morris, Mercer and Union Counties for their perspectives on the State program and local transit needs.

Interviewed NJ DOT railroad consultant for background and specifics of the rail subsidy contracts.

Contacted transportation studies program at Princeton University to obtain copies of New Jersey research.

Conducted analysis of COA announced program of bus service reduction and reported to the Joint Legislative Committee on Bus and Rail Subsidies.

Attempted route analysis and restructuring of bus routes identified as having severe economic problems.

Analyzed status of 1968 Transportation Bond projects.

Discussed State subsidy program and carrier problems with officials of Transport of New Jersey, Mercer Metro and Beviano Bus Company.

Analyzed bus route economic characteristics.

Reviewed all transportation research, including project proposals monthly progress reports, minutes of Transportation Research Council meetings and final reports.

PROGRAM ANALYSES PUBLISHED BY THE OFFICE OF FISCAL A
DIVISION OF PROGRAM ANALYSIS

73-1	Program Analysis of the New Jersey Educational Opportunity Fund, January, 1973
73-2	Program Analysis of Office Space for State Agencies, May, 1973
74-1	Program Analysis of Institutional Maintenance Support Payments, February, 1974, Volumes I and II and Summary
74-2	Program Analysis of the Southwestern New Jersey Bus Feeder Subsidy, February, 1974
74-3	Program Analysis of Financing and Construction of Dormitories and Student Centers via the Educational Facilities Authority, June, 1974
75-1	Program Analysis of the Administration of the New Jersey State Civil Service System, January, 1975
75-2	Program Analysis of the New Jersey Urban Renewal Assistance Program, March, 1975
75-3	Program Analysis of New Jersey's Seasonal Farm Labor Protection Programs, May, 1975
75-4	Program Analysis of the New Jersey State Building and Construction Program, June, 1975
SPA-1	Special Program Analysis of Unemployment Insurance Fraud Detection and Control Activity in the New Jersey Division of Unemployment and Disability Insurance
75-5	Program Analysis of the New Jersey Parole System, August, 1975
75-6	Program Analysis of the New Jersey Green Acres Land Acquisition Program, December, 1975
75-7	Program Analysis of Bus and Rail Subsidies Administered by the State Department of Transportation, December, 1975